BUDGET 2002

THE RIGHT DECISIONS FOR CHALLENGING TIMES

Fiscal Plan

Patricia L. Nelson
Minister of Finance

Alberta
GOVERNMENT OF ALBERTA

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BUDGET 2002

THE RIGHT DECISIONS FOR CHALLENGING TIMES

Fiscal Plan

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MINISTER OF FINANCE
In the Legislative Assembly of Alberta
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Highlights

BUDGET 2002

THE RIGHT DECISIONS FOR CHALLENGING TIMES

The Right Decisions for Challenging Times

BUDGET 2002

- Responds to changing world economic conditions.
- Starts the implementation of health reforms.
- Allocates available dollars to key priorities.
- Maintains Alberta's overall economic and tax advantages.
- Balances the budget and continues debt repayment.

SOLID ECONOMIC GROWTH FOR ALBERTA

- Alberta's economic growth will slow to 2.5% in 2002 as a result of weaker world economic growth and energy prices. Over 35,000 new jobs will be created.
- As the world economies recover, Alberta's growth is expected to climb to 3.9% in 2003 and remain strong for the following two years. Another 109,000 jobs will be added by 2005.

RESPONDING TO CHALLENGES

- Weaker world economic growth and energy prices have reduced Alberta's revenue more than was expected in Budget 2001.
- Budget 2002 assumes natural gas prices will average around Cdn$3.00 per thousand cubic feet and oil prices US$20 per barrel for the next three fiscal years. Resource revenue is budgeted to decline to $3.7 billion in 2002-03. Corporate income tax revenue and investment income will also be weaker than expected a year ago.
- Actions are being taken to protect priority programs while maintaining a balanced budget and Alberta's economic and tax competitiveness.
- Implementation of health reforms will proceed. Health and Wellness spending in 2002-03 will be $180 million higher than planned in Budget 2001. Health care insurance premiums will increase on April 1 to fund this higher spending. Premium subsidies for lower-income Albertans, especially for families with children, will also increase.
- The increases for most other ministries will be lower than previously planned, saving $159 million.
- $631 million in infrastructure spending, previously planned for 2002-03, will be deferred until affordable.
- Business tax reductions will proceed, but at a slower rate. Corporate income tax rates will fall by half a percentage point on April 1 and the small business threshold will rise to $350,000.
- Tobacco taxes will increase, including cigarette taxes which will increase from $1.75 to $4.00 per pack. Higher taxes will discourage smoking.
- Liquor markups, highway traffic fines and various fees will increase, the freeze on school property tax revenue will be lifted, and $100 million of the restricted equity of the Alberta Municipal Financing Corporation will be transferred to the government.

SPENDING FOCUSED ON PRIORITY PROGRAMS

- Health and Wellness spending will increase by 7.3% to $6.8 billion in 2002-03, and will continue to account for the largest proportion of total spending, at 36%. The targeted increases will be limited to 4% per year for the following two years.
- Learning program spending will increase by 4.7% to $4.7 billion in 2002-03, the second largest allocation of government spending, at 24%. Increases are targeted to average 3.7% per year for the following two years.
- Assistance for those in need will increase by 5.6% to over $2 billion in 2002-03. The funding increase is focused on programs for adults with disabilities, children's services and seniors programs. Overall increases are targeted to average 1.8% per year for the following two years.
- Spending on transportation and infrastructure will return to the base level of about $1.1 billion per year for the next three years. Deferred infrastructure spending will proceed as affordable.
- Agriculture, Food and Rural Development spending is budgeted to return to the base level of about $550 million per year for the next three years. The need for emergency drought or agriculture assistance will be assessed during the year in the context of the province's overall fiscal position.

THE ALBERTA TAX ADVANTAGE

- Alberta's overall tax advantage will be maintained. There will be no sales tax, no payroll tax, and no capital tax. Our 10% single-rate personal income tax system will not change. The provincial tax burden on Alberta families will continue to be, by far, the lowest in Canada.
- A typical one-income family earning $30,000 with two children will pay 81% less in taxes and health care insurance premiums in Alberta than the average in other provinces.
- A typical two-income family earning $60,000 with two children will pay 30% less in taxes and health care insurance premiums in Alberta than the average in other provinces.
- Alberta's small business corporate income tax rate of 4.5% will be tied for the second lowest among provinces and the general corporate income tax rate of 13% will be the third lowest.

BALANCED BUDGETS AND DEBT REPAYMENT

- As required by the *Fiscal Responsibility Act*, the budget will be balanced for the next three years. The economic cushions are $724 million in 2002-03, $790 million in 2003-04 and $731 million in 2004-05.
- In 2002-03, revenue will decline by 5.6% to $20 billion. Over the following two years, revenue is forecast to recover modestly, growing by an average of 2% per year.
- In 2002-03, total expense will decline by 8.1% to $19.2 billion. A 5% increase in ongoing base spending is more than offset by reductions in one-time initiatives, extraordinary costs and debt servicing costs. Over the following two years, total expense will increase by an average of 2.4% per year.
- Accumulated debt, less cash set aside for future debt repayment, is forecast to be paid down by $1 billion over the next three years. Accumulated debt will be less than $5 billion by the end of 2004-05. Debt repayment is nine years ahead of the legislated schedule.

Accountability Statement

The government's Fiscal and Business Plan for the three years commencing April 1, 2002 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 6, 2002 with material economic or fiscal implications have been considered in preparing the Fiscal and Business Plan.

The government is committed to achieving the planned results laid out in the Fiscal and Business Plan.

Patricia Nelson

Patricia L. Nelson
Minister of Finance and
Chair of Treasury Board
March 11, 2002

Fiscal Plan

BUDGET 2002

THE RIGHT DECISIONS FOR CHALLENGING TIMES

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The Right Decisions for Challenging Times

"Put simply, the government does not have as much money as it did last year ... Government will be tightening its belt, focusing new spending on priorities, and making sure that it spends no more than it takes in."

Premier Ralph Klein
Televised Address
January 21, 2002

The Alberta government is committed to fiscal responsibility, providing quality services to Albertans and ensuring the ongoing economic and tax advantages of the province. In Budget 2002, the government will continue to meet these fundamental commitments to Albertans. We will adapt to changing world conditions and make the right decisions for challenging times.

Last year, Albertans and their government faced unexpected challenges. Economic growth slowed more sharply than expected across North America and the world. Alberta farmers faced the worst drought in 130 years. Energy prices dropped dramatically, cutting resource revenue by 44% from the previous year and over 20% from the budget. The events of September 11 shocked Albertans and sent reverberations throughout the economy and society as a whole.

The government responded to these developments by focusing dollars where they were needed the most. Discretionary spending was frozen and some one-time initiatives were deferred to protect priority programs and maintain a balanced budget.

Alberta's economy showed its resilience, leading the country in growth in 2001. Almost 44,000 new jobs were created. The economic and tax advantages developed over the last decade helped maintain Alberta's strength.

While our economy is expected to be among the leaders again this year, neither economic growth nor energy prices are expected to be as strong as were forecast a year ago. Lower revenue means that changes must be made to the plans set out in last year's budget. The government has made the right decisions to meet the priorities of Albertans.

Budget 2002:

- ✔ responds to changing world economic conditions,
- ✔ starts the implementation of health reforms,
- ✔ allocates available dollars to key priorities,
- ✔ maintains Alberta's overall economic and tax advantages, and
- ✔ balances the budget and continues debt repayment.

Responding to Challenges

Over the last year, world economic conditions changed dramatically. We can expect further changes over the next three years. Alberta, like other provinces in Canada and countries around the world, has to adapt to these new conditions. But unlike many others, Alberta starts from a position of strength. Alberta has:

- A fiscal position that is unmatched by any other province. Alberta has the lowest per capita debt in Canada and a triple A credit rating.
- A strong economy that continues to attract people and investment to the province. Alberta has the lowest unemployment rate in Canada.
- A tax advantage that creates opportunities and rewards initiative and success. Albertans pay the lowest overall taxes in Canada.
- A quality of life that is second to none. Albertans enjoy a high standard of living and a beautiful natural environment.

FISCAL RESPONSIBILITY

Alberta's commitment to fiscal responsibility is a cornerstone of the province's strength. Since 1994-95, Alberta has balanced the budget for eight consecutive years and repaid $16.7 billion of debt. Debt servicing costs have been cut by two-thirds – an annual saving of over $1.2 billion. No other government in Canada has achieved such a major improvement in its finances.

> *"Our reality ... is that we have to remain cautious and prudent in our budgeting."*
>
> **Pat Nelson,**
> **Minister of Finance**
> **February 27, 2002**

The province's fiscal success has been guided by the five basic principles of the *Fiscal Responsibility Act* and the *Government Accountability Act*:

- The budget will be balanced every year.
- Debt will be repaid.
- Revenue forecasts will be prudent.
- Spending plans will be affordable.
- The government will be open and accountable to Albertans.

These principles grew out of the 1993 recommendations of the Alberta Financial Review Commission. This year, a new Alberta Financial Management Commission will review our progress over the last decade and assess current fiscal and accounting policies and strategies. The Commission will be asked to report its findings to the Minister of Finance by June 28.

MANAGING RISK

Being fiscally responsible does not eliminate risk. Volatility and uncertainty have been a continuing presence in Alberta's budgets for decades. What has changed over the last decade is that this risk is now deliberately addressed in the budget process.

Risks are managed with balanced budgets, three-year fiscal plans and economic cushions.

We have learned the hard way that caution, not optimism, is needed in planning a budget. Temporary setbacks can last longer than expected. Ignoring realities can lead to greater pain in the future.

The province has developed and legislated a three-pronged approach for managing risk:

- ***Balanced budgets*** – The *Fiscal Responsibility Act* requires the government to balance the budget each year to ensure that the consequences of revenue downturns are dealt with immediately and not left for future generations to address.
- ***Three-year planning*** – The government is required to publish three-year fiscal plans to help ensure that short-term revenue upturns do not result in ongoing spending plans that are unaffordable.
- ***A cushion against risks*** – An economic cushion must be set aside in each year's budget equal to at least 3.5% of budgeted revenue to help protect against in-year risks. The government is also required to report quarterly to Albertans on changes to the fiscal position of the province and any corrective actions that have to be taken.

These requirements ensure the government lives within its means, not only in good years when revenue is high, but also in years when revenue is weaker. In good years, there is increased flexibility to accelerate debt repayment, increase investment in infrastructure and address other priorities on a one-time basis. In years when revenue is not as strong, available dollars must be focused on maintaining priority services. This means that, while debt repayment and investment in infrastructure will continue, they may have to proceed at a slower rate.

Revenue volatility also creates very real challenges in keeping expectations realistic. Over the last few years, the government has clearly stated some initiatives would be one-time only – they could not be afforded on an ongoing basis.

In the past year, our fiscal framework was able to deal with both an unexpected $1.5 billion drop in revenue and the costs of an extended drought and forest fires. Internal efficiencies, including a freeze on hiring and discretionary spending, and a deferral of some one-time infrastructure spending brought total spending in line with the lower revenue. The economic cushion, as it was designed to do, covered the rest of the revenue decline and kept the budget in balance.

Over the next year, the Finance ministry will look at ways to improve the management of risks on a coordinated, government-wide basis. Enterprise risk management is a common tool in the corporate world that offers considerable potential in addressing a variety of government risks, including interest and exchange rate fluctuations, weather and forest fires.

2002-05 FISCAL PLAN

> *"Making tough choices to ensure our fiscal plan stays on track has meant sticking to our prudent and realistic approach to managing Albertans' money."*
>
> **Pat Nelson,**
> **Minister of Finance**
> **February 27, 2002**

World economic growth and energy prices are weaker than expected a year ago. As a result, the government has less revenue and the fiscal plan has to be adjusted.

The decline in revenue has been faster and deeper than forecast in last year's budget. The U.S. economy fell into a recession in 2001, dragging down growth in Canada and other economies. World economic growth is expected to recover as 2002 progresses, but only to about half of the rate forecast a year ago. Alberta will continue to perform well compared to other economies, with 2.5% growth this year, but this is lower than the 3.6% forecast a year ago.

Weak economic growth affected North American energy demand and accelerated the expected decline in natural gas prices. A year ago, the government forecast that natural gas prices would fall from Cdn$6.08 per thousand cubic feet (mcf) in 2000-01 to $3.75 per mcf by 2002-03. At the time, this was at the lower end of the range of private sector forecasts. Instead, prices fell to $3.76 per mcf in 2001-02, a year earlier than expected.

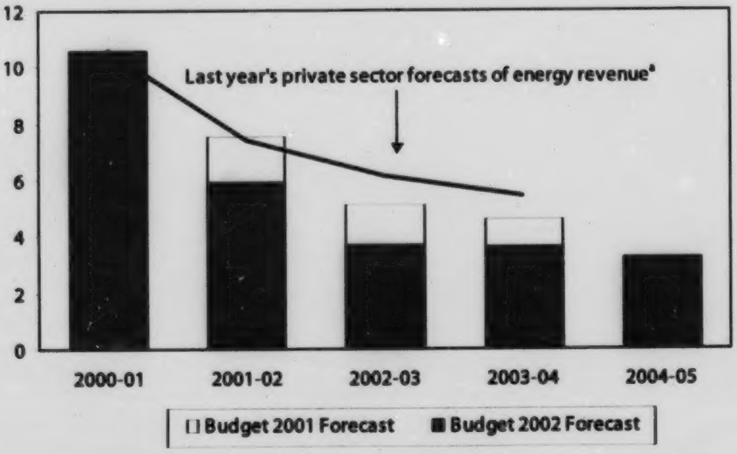
> *2002-03 energy prices of Cdn$3 per mcf for natural gas and US$20 per barrel for oil.*

Budget 2002 assumes that natural gas prices will decline further, to Cdn$3.00 per mcf in 2002-03. Oil prices are forecast at US$20 per barrel this year, $1.00 lower than forecast a year ago.

Private sector forecasters have also lowered their expectations for oil and natural gas prices, and economic growth.

Weaker energy prices, and lower investment income and corporate income tax revenue have cut $1.6 billion from the revenue previously expected for 2002-03.

Change in Resource Revenue Forecasts Since Budget 2001
(billions of dollars)



[a] Resource revenue scenario, reported in Budget 2001, based on the average energy price projections from leading forecasting organizations. Not all of the forecasts were publicly released.

FISCAL ADJUSTMENTS

The decline in revenue will not change the basic fiscal policies of the government. The government will continue to:

- live within its means,
- repay debt,
- set aside an economic cushion of at least 3.5% of revenue to protect against in-year revenue declines and public emergencies or disasters,
- maintain Alberta's economic and tax advantages, and
- provide quality programs and services to Albertans.

A balanced approach has been chosen to address the $1.6 billion revenue shortfall in 2002-03.

The new realities do, however, require adjustments to spending and revenue plans. A balanced approach has been chosen to address the $1.6 billion revenue shortfall. Overall, spending will be less than previously planned. Implementation of business tax cuts will be slowed. Selected revenues will be increased. These actions have been carefully targeted to minimize the effect on core government programs and Alberta's tax competitiveness:

- **Health** – The Alberta health care system is entering a critical period of restructuring to create a sustainable system for the future. In order to facilitate the transition, Health and Wellness funding will increase by 7.3%, or $468 million, in 2002-03. Spending this year will be $180 million higher than planned in Budget 2001. The increase over Budget 2001 will be funded by an increase in health care insurance premiums, effective April 1. Premiums will rise to $44 per month for single Albertans and $88 per month for families. Premium subsidies for lower-income Albertans will also increase, especially for families with children.
- **Spending on infrastructure** – $631 million in infrastructure spending, previously planned for 2002-03, will be deferred. Projects affected by this reduced funding will proceed as affordable.
- **Other spending** – Overall, other base spending will be $159 million less than planned a year ago. As a result, most year-over-year spending increases will be smaller than previously planned. Learning spending will increase by 4.7% and social service programs, such as children's services and support for adults with disabilities, will receive an overall increase of 5.6%. Targeted increases have also been provided in other selected areas.
- **Business taxes** – Business tax reductions will proceed, but at a slower rate and over a longer time period. The tax reduction plan was expressly made subject to affordability to ensure that, if revenue performance slipped, the plan could be adjusted. Less than one-third of the previously planned reductions for 2002-03 will proceed this year, reducing the tax cut by $194 million. The general corporate income tax rate will fall by half a percentage point on April 1, to 13%. The small business rate will also be cut by half a percentage point, to 4.5%, and the small business threshold will rise to $350,000. Additional cuts will proceed in future years, as affordable.

Cigarette taxes increase from $1.75 to $4.00 per pack.

- **Tobacco taxes** – Tobacco taxes are being increased substantially to discourage Albertans, especially young Albertans, from smoking. Cigarette taxes will increase from $1.75 to $4.00 per pack, effective midnight budget day, and taxes on loose-cut tobacco will be equalized at this rate. Taxes on cigars will rise by the same percentage as taxes on cigarettes. Over the short to medium term, this will result in higher government revenue, including $281 million in 2002-03.
- **School property taxes** – The freeze on school property tax revenue is being lifted. While the mill rate will be cut by 1% in 2002, the province will now capture revenue from most of the growth in the school property tax base. This will increase provincial government revenue by $45 million in 2002-03.
- **Liquor revenue** – Liquor markups will rise on April 5, increasing revenue by an estimated $50 million. The markups on a typical 750 millilitre bottle will increase by no more than 45 cents for wine and 60 cents for spirits. The markup on a case of 12 beer will increase by about 40 cents for most popular brands.
- **Other revenue measures** – $100 million will be transferred to the government in 2002-03 from the restricted equity of the Alberta Municipal Financing Corporation. In addition, increases in various motor vehicle fees on July 1, and increases in highway traffic fines and other fees on April 1 will add an estimated $62 million in revenue in 2002-03. The increase in revenue from traffic fines will be retained by the province to offset the cost of ticket processing, which previously was absorbed by the province.

2002-05 FISCAL SUMMARY

Revenue will fall by 5.6% in 2002-03 and total expense will fall by 8.1%.

The adjustments made to the fiscal plan will focus available dollars on Albertans' priority programs and keep the budget balanced. Overall, 2002-03 revenue is expected to fall by 5.6% from 2001-02 and total expense will fall by 8.1%.

Looking ahead, revenue is expected to recover modestly over the following two years. As the world economies recover, Alberta's economic growth is expected to rebound to 3.9% in 2003 and remain strong in the following years. Continued solid employment growth, and recoveries in corporate profits and stock markets are expected to increase government revenue in 2003-04 and 2004-05.

However, the outlook for energy prices remains very uncertain. Natural gas price forecasts range from Cdn$2.65 per mcf to about Cdn$4.60 for the next three years. Oil price forecasts range from US$18.00 per barrel to over US$26.50. Reflecting this uncertainty, the energy price assumptions used in Budget 2002 are prudent. Oil prices are forecast to remain at about US$20 per barrel and natural gas prices at around Cdn$3 per mcf over the three-year fiscal plan. As a result, growth in total government revenue is expected to average only 2% per year in 2003-04 and 2004-05.

Total expense is targeted to grow by an average of 2.4% per year in 2003-04 and 2004-05. The net change in capital assets affecting operations will fall by about $300 million over the next three years, due to lower capital spending.

Economic cushion of $724 million in 2002-03.

Economic cushions of at least 3.5% of revenue have been set aside in all three years of the fiscal plan. The economic cushions are $724 million in 2002-03, $790 million in 2003-04 and $731 million in 2004-05.

Fiscal Summary

(millions of dollars)

	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Revenue	21,148	19,973	20,500	20,778
Expense				
Program	19,998	18,571	19,191	19,580
Debt servicing costs	836	585	485	495
Total Expense	20,834	19,156	19,676	20,075
Net Revenue	314	817	824	703
Net Decrease (Increase) in Capital Assets affecting Operations	(279)	(93)	(34)	28
Economic Cushion	**35**	**724**	**790**	**731**

2002-05 Spending Plan

Difficult choices are made in the 2002-05 spending plan about what programs and services can be afforded this year and over the following two years. The first priority is to protect Alberta's core programs.

Base program spending will increase by 5% in 2002-03.

In 2002-03, base program spending will increase by $875 million, or 5%. Offsetting this increase is a $2.3 billion reduction in one-time initiatives and extraordinary costs. In addition, debt servicing costs are expected to decline by $251 million, due to debt repayment and a recovery in the exchange rate.

$2.3 billion reduction in one-time initiatives and extraordinary costs in 2002-03.

Total expense will decline by 8.1% in 2002-03 to $19.2 billion. Over the following two years, total expense is targeted to increase by $919 million, or 4.8%. Available funding is being focused on three main areas:

- ***Health and Wellness*** – Preserving and protecting Alberta's public health care system is the top priority. Health and Wellness spending will increase by 7.3% to $6.8 billion in 2002-03, and will continue to account for the largest proportion of total spending, at 36%. Targeted increases will be limited to 4% per year for the following two years.
- ***Learning*** – Program spending by Learning will increase by 4.7% to $4.7 billion in 2002-03, the second largest allocation of government spending, at 24%. Learning funding increases are targeted to average 3.7% per year for the following two years.
- ***Assistance for those in need*** – Spending on social services will increase by 5.6% to over $2 billion in 2002-03. The funding increase is focused on programs for adults with disabilities, children's services and seniors programs. Social services funding increases are targeted to average 1.8% per year for the following two years.

Spending Plan

(millions of dollars)	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Base Program Expense	17,571	18,446	19,191	19,580
One-time/extraordinary costs				
Accelerated infrastructure[a]	1,474	—	—	—
Energy shielding	230	—	—	—
Additional agriculture assistance	489	—	—	—
Additional forest fire fighting costs	100	—	—	—
Alberta Dairy Control Board	134	125	—	—
Total one-time/extraordinary costs	2,427	125	—	—
Total Program Expense	**19,998**	**18,571**	**19,191**	**19,580**
Debt servicing costs	836	585	485	495
Total Expense	**20,834**	**19,156**	**19,676**	**20,075**
Increase (%)				
Base program expense		5.0	4.0	2.0
Total program expense		(7.1)	3.3	2.0
Total expense		(8.1)	2.7	2.0
[a] Excludes capital investment of:	185	—	—	—

HEALTH AND WELLNESS

"I can think of no better gift to bestow upon future Albertans than an affordable health system of which they can be proud and confident."

Premier Ralph Klein
Televised Address
January 21, 2002

Albertans' top priority is continued access to a quality, publicly funded health care system. Budget 2002 starts the implementation of the health reforms needed to ensure the sustainability of our health system.

The Premier's Advisory Council on Health has presented a comprehensive and integrated blueprint for the future of publicly funded health care in Alberta. The Council concluded "Alberta's health system is not sustainable unless we are prepared to make major changes in how we fund and deliver health services." The government will act on the Council's advice. All 44 recommendations have been accepted.

FUNDING FOR HEALTH CARE

The next 12 months will be critical for publicly funded health care in Alberta, as we start the transition to a sustainable health care system. Budget 2002 provides the funding necessary for this transition year.

Health and Wellness funding will increase by 7.3% or $468 million in 2002-03.

In 2002-03, Health and Wellness funding will increase by 7.3%, or $468 million – an extra $1.3 million every day. This increase is bigger than the 2002-03 budgets of all but seven other ministries. Funding increases include:

- Operating funding for health authorities will increase by $247 million in 2002-03. Regional health authorities will receive an overall increase of 6.7%, as will Mental Health Services. Funding for the Alberta Cancer Board will increase by 11.1%.
- Funding for Province-Wide Services – highly specialized medical procedures such as cardiac surgery, organ transplants and renal dialysis – will increase by $21 million this year.
- Funding for physician services will increase by $177 million, or 14.1%, as part of the two-year agreement signed last year with the Alberta Medical Association. This will fund increases in fee rates and service volumes, enhancement of the specialists' on-call program, and implementation of innovative service delivery options.
- Funding for use of blood products will rise by $16 million in 2002-03.
- The Alberta Alcohol and Drug Abuse Commission will receive an additional $9 million for programs to reduce tobacco use.

In total, Health and Wellness funding will be about $6.84 billion this year, $180 million more than was planned a year ago in Budget 2001.

HEALTH CARE INSURANCE PREMIUMS

The additional spending, beyond what was planned a year ago, will be funded through an increase in health care insurance premiums. Effective April 1, monthly health care insurance premiums will increase from $34 to $44 for individuals and from $68 to $88 for families.

In 2002-03, health care insurance premiums will fund less than 13% of health spending.

Premium subsidies will be increased, especially for lower-income families with children.

Premiums have been frozen since 1995, even though Health and Wellness spending has increased dramatically since that time. In 1995-96, health care insurance premiums represented 16% of spending. Even with the premium increases, less than 13% of spending in 2002-03 will be funded by premiums.

Premium subsidies will be increased, especially for lower-income families with children. Approximately 60,700 non-senior families with children will pay no premiums at all, including 16,000 who previously paid full or partial premiums, and 28,400 who previously paid the full premium amount will now pay less than the full premium. In total, the enhanced premium subsidy program will benefit almost 444,000 families and individuals.

Health Care Insurance Premium Subsidies
(number of families or individuals receiving subsidies)

	Pay No Premiums	Pay Partial Premiums	Total
Income support recipients	50,900	—	50,900
Non-Seniors			
• Families with children	60,700	28,400	89,100
• Families without children	10,500	6,500	17,000
• Individuals	72,300	26,000	98,300
Seniors	164,800	23,600	188,400
Total	**359,200**	**84,500**	**443,700**

Any future changes in premium rates and subsidies will be based on the recommendations of the MLA Task Force on Health Care Funding and Revenue Generation. As a follow-up to the Premier's Advisory Council report, the Task Force is to report to the government by September 30 on long-term funding of health care in Alberta.

ENCOURAGING A HEALTHY LIFESTYLE

The Premier's Advisory Council stated, "the best long-term strategy for sustaining the health system is to encourage people to stay healthy." This fall, a public information and health promotion campaign will be launched to encourage Albertans to follow healthier lifestyles. Internet links will be developed to direct Albertans to factual health information so they are better informed. A new program of studies on health and life skills will be implemented for kindergarten to grade 9 students.

Smoking is well known as a major cause of long-term health problems. The increase in tobacco taxes is expected to help reduce the percentage of Albertans who smoke from 28% to 25% in 2002.

A SUSTAINABLE HEALTH SYSTEM

The government cannot continue to increase health funding each year at recent rates without risking the viability of other programs that also are important to Albertans. Continued increases of 10% a year for health, or even the 7.3% provided this year, would leave very little flexibility to provide needed resources in areas such as education and help for those in need.

Health and Wellness spending increase targeted at 4% per year in 2003-04 and 2004-05.

Publicly funded health care in Alberta is not sustainable over the long term unless the rate of spending growth is brought into line with the long-term growth in provincial revenue. While a greater increase has been provided for this transition year, the targeted increases will be limited to 4% per year for 2003-04 and 2004-05.

The health system will have to become even more effective and innovative in the delivery of services. This will require a willingness and a commitment by all our health partners to work together to make the changes necessary.

Available funding must be focused where it will have the greatest effect on the health of Albertans. Choices have to be made and priorities set. The Expert Advisory Panel will recommend to the Minister of Health and Wellness which categories of health services should continue to be publicly funded. The Panel will also recommend criteria for determining which new services should be publicly funded.

The Expert Advisory Panel will be asked to review continued government funding of chiropractic and podiatry services. If changes are made to these benefits, the funding will be reallocated to other health programs.

Extended Health Benefits program ends on March 31.

On March 31, the Extended Health Benefits program, which has been providing assistance to seniors with optical and dental costs, will end and $14 million will be reallocated to other health priorities. Increased funding is being allocated to the Seniors ministry to assist low-income seniors with these costs. Changes will also be made to the government-funded Blue Cross Benefit programs to contain the growth in costs.

These decisions were not made lightly. There are no easy choices when it comes to reallocating funding among health programs. That is one of the major challenges that we must address to develop a sustainable health system.

Health and Wellness

(millions of dollars)

	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Ministry expense	6,369	6,837	7,113	7,396
Annual increase	755	468	276	283
Percentage increase	13.4	7.3	4.0	4.0

LEARNING

Alberta's students continue to excel. Elementary and high school students consistently outperform others on national and international tests. In 2000, 15-year-old Alberta students scored the highest marks in reading in the world and were among the top three in science and mathematics in the OECD Programme for International Student Assessment tests. Graduates from our post-secondary institutions continue to be recognized for their comprehensive education.

Learning spending will increase by 4.7% or $208 million in 2002-03.

Learning will receive the second largest dollar increase in this year's budget. Total program spending will increase by $208 million, or 4.7%, in 2002-03, and by $557 million, or 12.5%, over the next three years. By 2004-05, Learning program spending will exceed $5 billion.

However, the increase is less than planned a year ago. Lower revenue required the government to scale back the planned increases for basic education by $71 million and post-secondary education by $38 million. A special payment to be made in late March will assist school boards in managing with the smaller increase.

SUPPORT FOR SCHOOL BOARDS

Operating support for public and separate school boards will increase by $112 million, or 4%, in the 2002-03 fiscal year, to $2.9 billion.

$46 million special payment to school boards in 2001-02.

In addition, an estimated $46 million will be provided through per student grant payments to all school boards before the end of the 2001-02 fiscal year, based on the existing funding framework. The *School Act* requires that funding normally provided to school boards for teachers' salaries be withheld during job actions. The government has decided that these salary dollars will not lapse but will instead be allocated back to the school system. This will help school boards address 2002-03 needs within the dollars available.

School boards effectively receive a 5.6% increase for 2002-03.

Including the $46 million payment, school boards will effectively receive $158 million, or 5.6%, more in operating support for 2002-03. This will fund:

- a 3% increase in the basic instruction grant rate for the 2002-03 school year,
- the special funding announced in Budget 2001 for teacher salary settlements,
- overall enrolment growth, projected at 0.25% for the 2002-03 school year, and
- a 10% increase for the greater number of students with severe disabilities.

The costs of teacher salary settlements and other classroom priorities will have to be managed by school boards within this budget allocation.

Operating support for public and separate school boards is targeted to increase by 4.5% in the 2003-04 fiscal year and 3.6% in 2004-05. Basic instruction grant rate increases of 2% for both the 2003-04 and 2004-05 school years are planned. Enrolment increases will be fully funded.

The government will conduct a broad review of the learning system. This review is expected to be completed by the fall of 2003.

POST-SECONDARY FUNDING

Post-secondary funding will increase by 5.5% in 2002-03.

Funding for post-secondary institutions will increase by $56 million, or 5.5%, in 2002-03 and $109 million, or 10.7%, over the next three years, to $1.1 billion by 2004-05. This will fund:

- a 3% increase in base operating grants in 2002-03, and 2% in both 2003-04 and 2004-05,
- an additional $12 million for faculty attraction and retention in 2002-03, and
- additional apprenticeship spaces in 2002-03.

STUDENT ASSISTANCE

The Alberta government took over responsibility for the financing of all Alberta student loans issued after July 31, 2001 and expects to disburse $103 million in loans in 2002-03. The Alberta Student Loan Relief Benefit and the Loan Relief Completion Payment will continue to reduce debt automatically for students in their first and final years of study, respectively. These programs will provide $75 million in debt reduction in 2002-03. In addition, the budget for student assistance programs is being increased to support cost increases.

Funding for scholarships will increase by 10.2%.

Funding for scholarship programs that reward excellence in learning will increase by 10.2% to $32 million in 2002-03. About 20,000 students will receive scholarships this year. The Jason Lang Scholarship will be expanded to include students entering their fourth year of study.

Learning

(millions of dollars)

	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Ministry program spending[a]	4,456[b]	4,664	4,859	5,013
Opted-out school boards' property tax revenue	146	152	158	165
Alberta School Foundation Fund debt servicing costs	3	4	6	7
Spending on the learning system	**4,605**	**4,820**	**5,023**	**5,185**
Ministry program spending				
Annual increase	292	208	195	154
Percentage increase	7.0	4.7	4.2	3.2
Spending on the learning system				
Annual increase	274	215	203	162
Percentage increase	6.3	4.7	4.2	3.2

[a] Ministry numbers have been restated to reflect the transfer of the school operations and maintenance budget to Infrastructure, including $313 million in 2001-02 and $324 million in 2002-03.

[b] Includes an estimated $46 million special payment to school boards.

ASSISTANCE FOR THOSE IN NEED

Assistance for those in need will increase by 5.6% or $107 million in 2002-03.

Assistance for those in need will increase by $107 million, or 5.6%, in 2002-03 and $182 million, or 9.5%, over the next three years. Funding for children's services, support for adults with disabilities, seniors programs and other social assistance programs will reach $2.1 billion by 2004-05.

SERVICES FOR CHILDREN

- Funding for Children's Services increased by 10.4% in 2001-02 and will increase by a further 4.2%, or $27 million, to $675 million in 2002-03. Spending is targeted to stabilize at $678 million for the following two years.
- A number of key initiatives, collectively referred to as the Alberta Response Model, are being developed to improve outcomes for children and youth. They range from building on successful child protective services to better community-based supports for families at risk.
- Children's Services is allocating an additional $15 million this year to Family and Community Support Services to continue work with regional authorities to integrate, coordinate and deliver preventative and early intervention programs for children and families.
- Administrative efficiencies and other initiatives have reduced the requirement for additional staff. About two-thirds of the 186 staff positions being eliminated in 2002-03 relative to Budget 2001 are vacant positions that did not need to be filled last year. There will be no reduction in social workers and other front-line staff.

ADULTS WITH DISABILITIES

AISH funding will increase by 9% in 2002-03.

PDD funding will increase by 8% in 2002-03.

- The budget for the Assured Income for the Severely Handicapped (AISH) program will increase by $30 million, or 9%, in 2002-03 and by $67 million, or 20%, over the next three years, to $398 million by 2004-05. Higher levels of support are required as the average age of clients and their medical costs are increasing, and more people are living in their communities rather than institutions.
- Funding for the Persons with Developmental Disabilities (PDD) program will increase by $30 million or 8%, in 2002-03 and by $59 million, or 16%, over the next three years, to $436 million by 2004-05. These increases reflect anticipated growth in the number of recipients and funding for compensation costs of contracted agencies to help them recruit and retain quality staff.
- Funding for the Alberta Brain Injury Initiative will more than double to $2.5 million in 2002-03, as part of the implementation of the *Building Better Bridges* report. The initiative will receive $4.5 million in each of 2003-04 and 2004-05.

SENIORS

- Funding for the Alberta Seniors Benefit (ASB) will increase by $3 million to $154 million in 2002-03, and by a further $3 million by 2004-05. Payments to long-term care residents who receive ASB cash benefits were increased on January 1, 2002 to offset increases in long-term care fees. Other benefit levels are being maintained.
- Lower-income seniors will continue to pay no, or reduced, health care insurance premiums. Subsidies will be extended to an additional 8,000 seniors this year to assist them in paying the increase in premiums.
- Low-income seniors experiencing financial difficulties or unexpected expenses will continue to receive help through the Special Needs Assistance for Seniors program. The base budget remains at $17.9 million. In addition, $9.2 million has been reallocated from Health and Wellness' Extended Health Benefits program, which ends on March 31. This will allow continued assistance to low-income seniors requiring help with dental and optical services.

Low-income seniors can apply for assistance with dental and optical services.

OTHER SUPPORT PROGRAMS

- Alberta's policy of providing a "hand up" rather than a "hand out" has been successful in helping many Albertans to move into the workforce. The government will continue to focus on skills development and employment training programs.
- Funding for the Supports for Independence program (SFI) is expected to remain stable at around $250 million per year owing to Alberta's positive job climate.
- Funding for other income support programs and delivery costs is expected to remain stable at about $135 million per year. This includes funding for Widows' Pension, Child Health Benefits and Shelters for Homeless Adults.

Social Services

(millions of dollars)

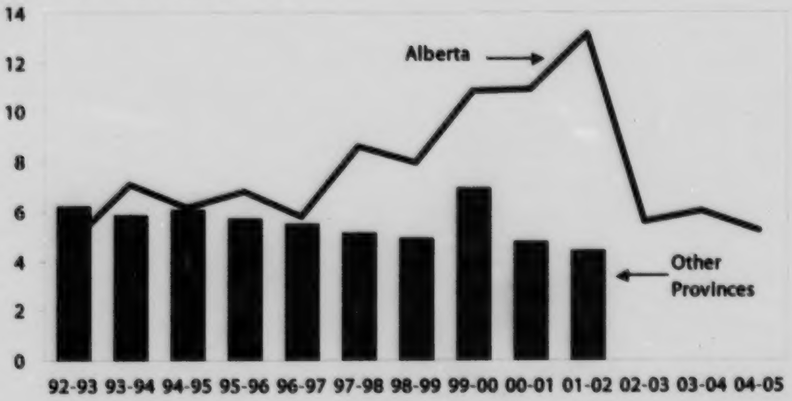
	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Children's Services	648	675	678	678
Adults with disabilities	382	412	444	444
Assured Income for the Severely Handicapped	331	361	383	398
Supports for Independence	252	248	248	247
Seniors' programs	177	193	194	195
Other income support programs and delivery costs	127	135	134	137
Total Social Services Spending	**1,917**	**2,024**	**2,081**	**2,099**
Annual increase	127	107	57	18
Percentage increase	7.1	5.6	2.8	0.9

ADDRESSING INFRASTRUCTURE REQUIREMENTS

Strong economic growth has brought more people, jobs and activity to Alberta. An expanded population requires upgraded schools, health and post-secondary facilities. More jobs and economic activity put more traffic on transportation networks.

Over the last few years, Alberta has been able to respond aggressively to these pressures. Since 1996-97, Alberta has allocated a significantly higher share of its total spending to infrastructure than other provinces in Canada. In the last three years, windfall resource revenue allowed the province to boost infrastructure spending even further, to more than triple the average of other provinces in 2001-02.

Interprovincial Comparison of Capital Expenditure
(percent of total spending)



Source: Dominion Bond Rating Service Limited, *The Canadian Federal and Provincial Governments: The Wind Has Turned*, November 2001. Alberta data for 2000-01 to 2004-05 updated by Alberta Finance.

$3.5 billion in accelerated infrastructure spending from 1999-2000 to 2001-02.

On top of base budgets of over $1 billion a year, an additional $3.5 billion in one-time accelerated funding has been provided since 1999-2000 for upgrading and expanding schools and post-secondary facilities, health facilities, the transportation network, and other infrastructure. This includes about $1.7 billion in accelerated infrastructure funding in 2001-02. Local authorities have dollars in their hands now but it is expected that much of the actual construction will continue for two to three more years.

The accelerated funding is less than initially planned. The rapid decline in revenue in 2001-02 required the deferral of about $709 million in infrastructure spending. A further $631 million will be deferred in 2002-03. Projects affected by the deferrals will proceed as dollars become available. In late March, the government will review final forecasts for the 2001-02 fiscal year. If dollars are available, the government may be able to advance some additional infrastructure funding before the end of the fiscal year.

Infrastructure spending returns to base level of $1.1 billion per year for 2002-03 to 2004-05.

For 2002-03 to 2004-05, infrastructure spending is budgeted to return to the base level of about $1.1 billion per year, or nearly $3.3 billion over the next three years.

TRANSPORTATION

$1.7 billion for transportation over the next three years.

- $1.7 billion will be spent on maintaining and upgrading the province's transportation network over the next three years, just over half of the total funding for infrastructure. This includes $211 million for municipal transportation infrastructure.
- The North-South Trade Corridor, including the Deerfoot Trail and Anthony Henday Drive extensions, and several other key priorities will proceed, but over longer timelines than planned in Budget 2001.

OTHER INFRASTRUCTURE

$1.6 billion for other infrastructure over the next three years.

- $1.6 billion will be spent on upgrading the province's other infrastructure over the next three years, including schools, health care and post-secondary facilities, seniors lodges and water and wastewater projects.
- Priority will be given to the renovation and upgrading of existing facilities, and the completion of construction projects that are already under construction or have been partially funded from accelerated dollars in previous years.
- Major health care projects include phase 1 of the redevelopment of the Royal Alexandra Hospital in Edmonton, and upgrading of the Foothills Hospital in Calgary, the Red Deer Regional Hospital, the High Level General Hospital and the Alberta Hospital in Ponoka.
- Support to municipalities under the Infrastructure Canada/Alberta Program will continue and $25 million per year will continue to be provided for municipal water and wastewater projects.
- Alberta SuperNet will be completed over the next two years, providing high-speed internet service to 422 Alberta communities by 2004-05.
- A multi-year renewal of the computer systems that support land titles, motor vehicle and personal property registries will begin in 2002-03.

Spending on Infrastructure

(millions of dollars)

	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Transportation Network	854	545	573	566
Health care facilities and equipment	519	59	113	66
Schools	661	59	160	125
Post-secondary institutions	293	16	25	29
Water and water management	75	80	80	80
Infrastructure Canada/Alberta program	103	32	18	17
SuperNet	37	118	38	—
Other	237	156	167	155
Total Spending on Infrastructure	**2,779**	**1,065**	**1,174**	**1,038**

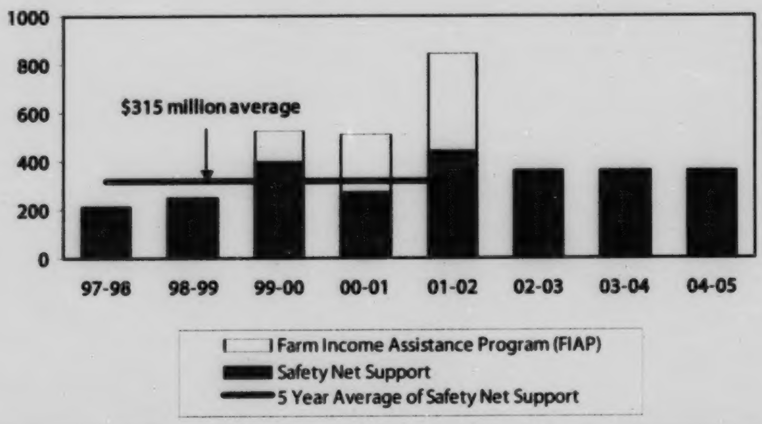
Agriculture funding returns to the base level of about $550 million per year for 2002-03 to 2004-05.

AGRICULTURE

Program funding for Agriculture, Food and Rural Development will return to the base level of about $550 million per year. This includes about $365 million for safety net programs, slightly higher than the previous five-year average, and about $185 million for industry and rural development.

Over the last three years, the Alberta government has provided an additional $770 million in emergency drought and farm assistance payments to Alberta farmers and ranchers through the Farm Income Assistance Program (FIAP). In 2001-02, emergency agriculture assistance totaled $489 million, including $402 million from FIAP and $87 million in higher-than-normal safety net payments. The need for emergency drought or agriculture assistance will be assessed during the year in the context of the province's overall fiscal position.

Agriculture Safety Net Programs
(millions of dollars)



Safety net programs are being modified. An agriculture drought risk management plan will be implemented, providing more accurate monitoring and assessment of drought impacts on the farm economy, and more targeted and timely drought-response measures when needed. The government will also enhance crop insurance programs by increasing the availability of weather index products and offering different coverages for wheat and canola. This will result in more accurate claim payments and efficiency improvements in claim processing.

Record farm cash receipts and net cash incomes.

Last year, producers received record farm cash receipts and net cash incomes. Strong incomes are expected to continue this year. The special 30% crop insurance premium reduction provided for the last two years to assist with low commodity prices and higher input costs is being discontinued.

The Agriculture Financial Services Corporation and the Alberta Opportunity Company are being merged.

Other operations of the Ministry of Agriculture, Food and Rural Development are being refocused this year to improve the delivery of services within available dollars:

- The Agriculture Financial Services Corporation and the Alberta Opportunity Company are being merged to create a one-window approach for agri-industry and small business commercial financing.
- Industry development services are being restructured to concentrate on agriculture business development. Internet and call centre services will be increased. A reduction in administrative positions will maximize the funding available for services from agriculture specialists.
- Regulation of dairy production and marketing, currently carried out by the Alberta Dairy Control Board, will be divested to a producer-elected and financed commodity board called Alberta Milk. This will reduce both revenue and expense by $125 million in 2003-04.

Funding also will be provided to the Natural Resources Conservation Board through the Ministry of Sustainable Resource Development to implement the new legislation on confined feeding operations.

Agriculture, Food and Rural Development

(millions of dollars)

	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Industry and rural development	189	185	187	187
Safety net programs[a]	443	361	365	366
Farm Income Assistance Program (FIAP)	402	—	—	—
Alberta Dairy Control Board	134	125	—	—
Ministry Program Spending	**1,168**	**671**	**552**	**553**

[a] Includes crop insurance programs, Farm Income Disaster Program, Farm Fuel Distribution Allowance and other farm income support.

GAMING

Revenue from gaming operations helps support a wide range of charitable, non-profit, public and community-based initiatives. On March 1, the government lifted the moratorium on casino development and expansion that was in place during the Gaming Licensing Policy Review. Applications for new casinos are expected, including under the First Nations Gaming Policy. New and expanded casinos will increase government gaming revenue.

Casino expansion and redevelopment requires increased spending by the Alberta Gaming and Liquor Commission, primarily for the purchase and upgrading of slot machines and other casino equipment. The Commission's operating spending is expected to grow from $87 million in 2001-02 to $189 million by 2004-05.

First Nations Development Fund established with government proceeds from First Nations casinos.

Nearly 60% of the government's revenue from slot machines in First Nations casinos will be returned to First Nations through the First Nations Development Fund. The Community Development ministry expects to pay grants to the Fund of $2 million in 2002-03, rising to $24 million in the following two years. 75% of the Fund will be available to support initiatives by First Nations hosting casinos and the other 25% will be available to other First Nations.

The Racing Industry Renewal Initiative supports the development of the horse racing industry in Alberta. It is projected to provide $33 million in 2002-03, growing to $41 million in 2003-04, mostly from gaming revenue generated at racing entertainment centers.

Community lottery board funding ends on March 31.

Provincial funding for community lottery boards will cease on March 31, as part of the required fiscal restraint measures. This will save $51 million.

In 2003-04, funding for the Community Facility Enhancement Program will increase by $14 million. There will also be a $9 million increase for five Community Development foundations to expand support for the arts, historical resources, sports, recreation, parks, wildlife and other initiatives.

Ministry of Gaming[a]

(millions of dollars)

	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Alberta Gaming and Liquor Commission expense	87	118	166	189
Community Facility Enhancement Program	23	25	39	39
Racing Industry Renewal Initiative	16	33	41	41
Community lottery board program	51	—	—	—
Other	27	40	39	40
Total Expense	**204**	**216**	**285**	**309**

[a] Does not include allocations from the Lottery Fund paid through other ministries.

SAFE COMMUNITIES

Fifty-three more Crown prosecutors by 2003-04.

Funding for the Justice ministry will increase by $9 million, or 4%, in 2002-03 and by $19 million, or 8.4%, over the next three years. Thirty-eight Crown prosecutors will be hired over the next two years, in addition to the fifteen new prosecutors hired in 2001-02.

Funding for the Solicitor General ministry will increase by $9 million, or 3.5%, in 2002-03. Funding for public security will increase by $2.3 million, including a $1.8 million increase for provincial policing and the province's contract with the RCMP. Funding for correctional facilities will also increase.

National sex offender registry to be established.

The federal government, at the urging of Alberta and other provinces, has agreed to establish a national sex offender registry to help protect children and vulnerable adults. Alberta is also working with the federal government to implement an Alberta Crisis and Consequences Management Plan to ensure optimal coordination among the federal, provincial and municipal governments in response to any terrorist threats to the security of Alberta.

SUPPORT FOR RESEARCH

Support for medical, science and engineering research to rise to $101 million by 2004-05.

The Alberta Heritage Foundation for Medical Research has a world-wide reputation for funding leading-edge medical research. The Alberta Heritage Foundation for Science and Engineering Research, established in 2000, has begun funding advanced research in other fields. About $83 million will be provided to the foundations in 2002-03 from the government's endowment funds, an increase of $26 million. By 2004-05, spending is expected to rise to $101 million.

The Alberta Research Council is widely known for the excellence of its research work. The Council will continue to expand the research it performs on a cost-recovery basis under contracts with private and public sector organizations.

The Alberta Science and Research Authority is supporting the new National Institute for Nanotechnology at the University of Alberta. This state-of-the-art institute will attract world-class researchers to Alberta in a field expected to revolutionize everything from computing and communications to medicine, energy and manufacturing.

2002-05 Revenue Plan

Without the revenue actions taken in this year's budget, the revenue forecast would have declined to $19.1 billion in 2002-03, a $2.1 billion decrease from 2001-02 and $1.6 billion less than was projected for 2002-03 in Budget 2001.

Revenue estimated at $20 billion in 2002-03.

Revenue actions will prevent part of this revenue loss. Revenue is now estimated at $20 billion in 2002-03. The year-over-year decline in revenue is forecast to be nearly $1.2 billion, or 5.6%.

Revenue is expected to begin recovering over the following two years. As the world and Alberta economies strengthen, improved corporate profits and stock markets are expected to increase government revenue. Continued strong employment growth in Alberta will maintain solid growth in incomes and personal income tax revenue.

Outlook for energy prices remains very uncertain.

However, the outlook for energy prices remains very uncertain. Reflecting this uncertainty, the energy price assumptions used in Budget 2002 are prudent. Oil prices are forecast to remain at US$20 per barrel and natural gas prices at around Cdn$3 per mcf over the three-year fiscal plan.

As a result, the growth in total revenue is expected to be modest. Revenue is forecast to increase by 2.6% to $20.5 billion in 2003-04 and by a further 1.4% to $20.8 billion in 2004-05.

Revenue Forecast

(millions of dollars)

	2000-01 Actual	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Budget 2001	25,597	22,673	20,675	20,468	—
Budget 2002					
Revenue before actions	25,597	21,131	19,057	19,515	19,659
Revenue actions	—	17	916	985	1,119
Revenue Forecast	**25,597**	**21,148**	**19,973**	**20,500**	**20,778**
Revenue Actions					
Slowing of business tax reductions		—	194	322	403
Revenue Increases					
Tobacco taxes		7	281	259	261
Health care insurance premiums		—	184	187	190
School property taxes		10	45	88	134
Liquor markups		—	50	50	50
Motor vehicle fees		—	45	60	61
Highway traffic fines		—	13	15	16
Other fees		—	4	4	4
Transfer of AMFC restricted equity		—	100	—	—
Total revenue increases		17	722	663	716
Total Revenue Actions		**17**	**916**	**985**	**1,119**

THE ALBERTA TAX ADVANTAGE

A competitive tax regime is critical to Alberta's economic advantage, standard of living and future prosperity. The effect of the revenue actions required in Budget 2002 on our tax advantage was considered carefully.

Alberta's overall tax advantage will be maintained. There will be no sales tax, no payroll tax, and no capital tax. Our 10% single-rate personal income tax system will not change. The plan to reduce business taxes will proceed, but at a slower rate and over a longer period of time.

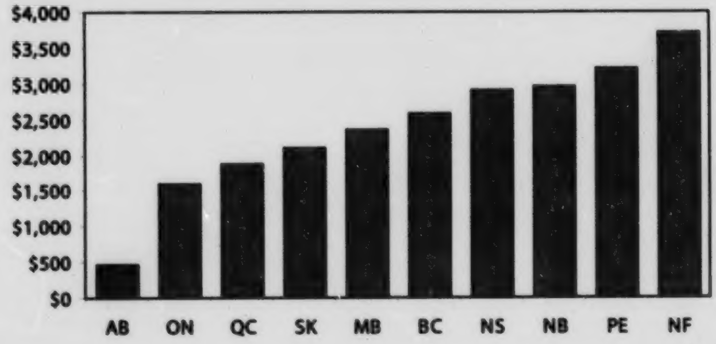
An Alberta family earning $30,000 pays 81% less taxes and premiums than the average in other provinces.

The provincial tax burden on Alberta families will continue to be, by far, the lowest in Canada. A typical one-income family earning $30,000 with two children will continue to pay the lowest total provincial taxes and health care insurance premiums in Canada – 81% less than the average in other provinces. These families will pay less in health care insurance premiums this year than they did last year because of the enhanced premium subsidy program. A typical two-income family earning $60,000 with two children will also continue to have the lowest overall tax and premium burden in Canada – 30% less than the average in other provinces.

Family Earning $30,000

One-income family with two children

2002 Taxes and Health Care Insurance Premiums



The government will move forward with its plan to improve the competitiveness of Alberta's business taxes. However, the rapid cuts planned a year ago are no longer affordable as scheduled. On April 1, the revised plan will:

Corporate income tax rates will be cut by half a percentage point on April 1.

- cut the general corporate income tax rate by half a percentage point to 13%, and
- cut the small business rate by half a percentage point to 4.5% and increase the small business threshold to $350,000.

In 2002-03, Alberta's small business rate will be the second lowest among provinces, tied with British Columbia and behind only New Brunswick. The general corporate income tax rate will be third lowest, behind only Quebec and Ontario.

Alberta's business taxes will be cut by $81 million in 2002-03, bringing the two-year tax saving to $367 million. Additional cuts will proceed in future years, as affordable. The current revenue plan assumes that $230 million in further cuts will proceed over the following two years, raising the small business threshold to $400,000 next year, and reducing tax rates to 3% for small businesses and 11.5% for other corporations by 2004-05.

Business Tax Cuts

(millions of dollars)

	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Budget 2001 schedule	286	561	770	1,000
Budget 2002 revised schedule	286	367	448	597
Difference	**—**	**194**	**322**	**403**

RESOURCE REVENUE

In 2000-01, non-renewable resource revenue peaked at $10.6 billion, as natural gas prices spiked to record levels. Natural gas prices averaged Cdn$6.08 per mcf for the year as a whole, and oil prices averaged US$30.20 per barrel.

A year ago, in Budget 2001, the government projected that energy revenue would decline from this record level. However, the decline has been much more rapid than private sector forecasters and the government expected.

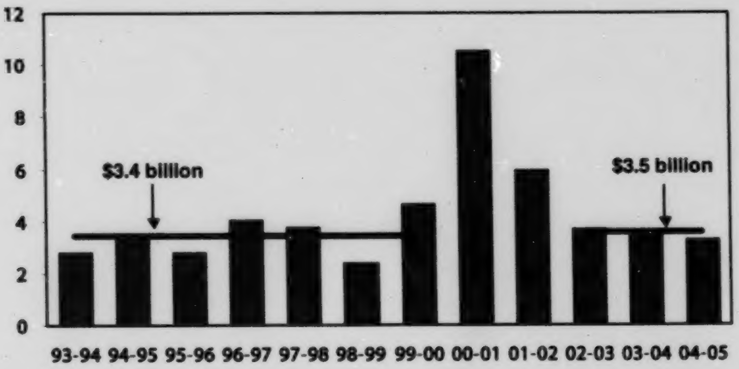
Resource revenue for 2001-02 is now forecast at $5.9 billion, down $4.7 billion, or 44%, from the previous year.

Resource revenue forecast to fall by 37% to $3.7 billion in 2002-03.

The decline is expected to continue for the next three years. Resource revenue is forecast to fall by a further $2.2 billion, or 37%, in 2002-03, to $3.7 billion, and to less than $3.3 billion by 2004-05. Average resource revenue over the next three years is expected to be about equal to the average revenue in the 1990s before energy prices spiked.

The energy prices, and resulting revenue, in Budget 2002 assume that the US and world economies will strengthen over the course of 2002. Stronger economic growth will increase oil demand and make it easier for the Organization of Petroleum Exporting Countries (OPEC) to manage supply. However, it is also expected that OPEC and non-OPEC producers, such as Russia, will increase production over the forecast period in an effort to maintain or increase their share of the oil market.

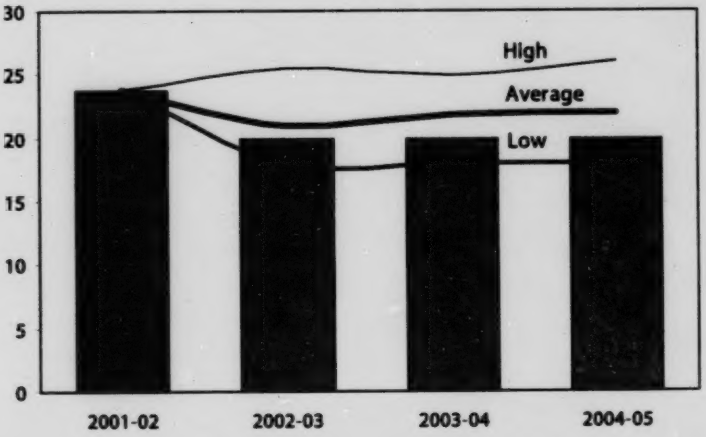
Resource Revenue
(billions of dollars)



Oil price assumptions of US$20 per barrel for the next three years.

There is a wide range of views about what balance will actually be achieved between these factors. Oil price forecasts range from US$18.00 per barrel to over US$26.50 over the next three years. Budget 2002 assumes that oil prices will average US$20 per barrel for the next three years. This is more prudent than most forecasters.

Oil Prices
Budget 2002 and Range of Other Forecasters
(WTI US$ per barrel)



Total oil royalties are expected to decline because of lower Alberta wellhead prices and declining conventional production. Oil sands production is expected to rise sharply, but lower prices and higher operating costs will limit profitability. In addition, the oil sands royalty structure will result in minimum royalty payments until the cost of major capital investments, recently completed and underway, are recouped.

There is a also wide range of views about the future course of natural gas prices. Price forecasts range from Cdn$2.65 per mcf to about Cdn$4.60 for the next three years.

Natural gas price assumptions of about Cdn$3 per mcf for the next three years.

Budget 2002 assumes that natural gas prices will average Cdn$3.00 per mcf in 2002-03, $3.15 in 2003-04 and $3.05 in 2004-05. This is at the lower end of the range of other forecasters, particularly for 2003-04 and 2004-05.

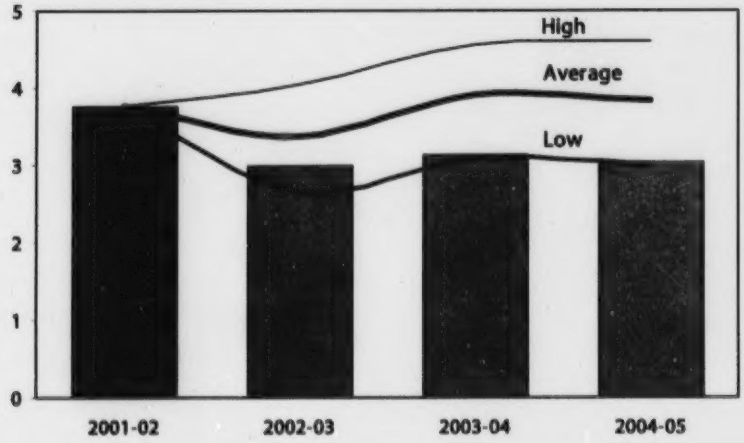
Natural gas prices have been very volatile in recent years, reflecting changing oil prices, storage levels, weather and economic conditions. It is expected that demand for natural gas will strengthen over the next three years as the U.S. and Canadian economies rebound. This, combined with lower drilling levels, should reduce the current very high storage levels for natural gas. However, increases in prices are expected to be capped by flat oil prices. The ability of many industrial users to switch between oil and natural gas is expected to limit the upside potential of natural gas prices.

The Canada/US exchange rate also affects resource royalties. The budget assumes that the Canadian dollar will rise from current lows to about 68 cents US by 2004-05. This negatively affects Alberta wellhead prices for both oil and natural gas.

Natural Gas Prices

Budget 2002 and Range of Other Forecasters[a]

(Alberta Reference Price Cdn$ per mcf)



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[a] Based on natural gas price projections of leading forecast organizations. Not all of the forecasts have been publicly released.

TAX REVENUE

Tax revenue is forecast to increase by 3.7% in 2002-03.

Total tax revenue is expected to increase by $316 million, or 3.7%, to $8.9 billion in 2002-03. By 2004-05, total tax revenue is forecast at $9.6 billion.

Personal income tax revenue is forecast to grow to $5.36 billion by 2004-05, a three-year increase of over $1 billion, or 24%. Revenue in 2001-02 was reduced by the second installment of the Energy Tax Refund, partly offset by a positive adjustment to final revenue for the 2000 tax year. Underlying growth in base personal income tax revenue, after adjusting for these items, averages 6.4% per year over the next three years, reflecting continued strong growth in employment and incomes. The personal income tax system will continue to be indexed against inflation.

NHL players tax to be introduced this fall.

An NHL players tax is planned to be introduced this fall, at the request of Alberta's NHL teams. The net revenue, after deducting administration costs, from this additional income tax on all NHL players who play hockey games in Alberta will be paid to Alberta's teams through the Community Development ministry. Alberta taxpayers, other than NHL players, are not making any contribution to this assistance.

Personal Income Tax Revenue

(millions of dollars)

	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Personal income tax base	4,444	4,703	5,020	5,354
NHL players tax	—	5	6	6
Energy tax refund	(320)	—	—	—
Prior year adjustment	204	—	—	—
Personal Income Tax Revenue	**4,328**	**4,708**	**5,026**	**5,360**

Corporate income tax revenue is forecast to decline to $1.55 billion in 2002-03, down $265 million from 2001-02. Revenue is expected to fall by about 10% due to a decline in corporate profits resulting from lower energy prices and slower economic growth. Corporate income tax cuts will reduce revenue by a further $81 million.

Over the following two years, corporate income tax revenue is expected to remain at about the 2002-03 level. A recovery in underlying revenue to the 2001-02 level, as the economy strengthens, is expected to be offset by further planned tax reductions.

Corporate Income Tax Revenue

(millions of dollars)

	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Corporate income tax base	1,815	1,631	1,733	1,814
Budget 2002 tax reductions	—	(81)	(162)	(311)
Corporate Income Tax Revenue	**1,815**	**1,550**	**1,571**	**1,503**

School property tax mill rates will be cut by 1% in 2002.

Other tax revenue is expected to increase by $316 million, or 13%, over the next three years to $2.75 billion. With the lifting of the freeze, provincial school property tax revenue is expected to grow to $1.2 billion by 2004-05, in line with expected 4% per year growth in the assessment base, partly offset by a 1% cut in the 2002 mill rate. The substantial increase in tobacco taxes is expected to increase revenue by $281 million in 2002-03 and about $260 million in the following two years, as consumption declines. These increases will be partly offset by a decline of about $100 million in the freehold mineral rights tax, due to lower energy prices.

REVENUE FROM OTHER SOURCES

Total revenue from all other sources is expected to increase by $728 million, or 11%, to close to $7.4 billion in 2002-03. Over the following two years, revenue from these sources is forecast to grow by a further $535 million, or 7.3%, to $7.9 billion by 2004-05. About 60% of the increase is due to a rebound in Heritage Fund investment income.

CHST revenue is forecast to increase by nearly 15% over the next three years.

Canada Health and Social Transfer revenue is forecast to increase by $234 million, or 14.6%, over the next three years to $1.84 billion by 2004-05. This reflects the First Ministers' agreement in September 2000 on increased federal payments.

Gaming and lottery revenue is forecast to increase by $332 million, or 29.4%, over the next three years to $1.46 billion by 2004-05. With the completion of the Gaming Licensing Policy Review, new and expanded casinos, including First Nations casinos, are expected to be approved over the next three years.

Health care insurance premium revenue is forecast to increase by $194 million to $869 million in 2002-03, primarily due to increases in premium rates on April 1. By 2004-05, health care insurance premium revenue is expected to increase to $902 million, as Alberta's population continues to grow. Any future changes in premium rates will be based on the recommendations of the MLA Task Force on Health Care Funding and Revenue Generation.

Alberta Heritage Savings Trust Fund investment income dropped sharply in 2001-02 to $162 million, due to weak equity markets. Realized capital losses and writedowns of stocks, especially in the technology sector, were key factors. With the anticipated recovery in the Canadian, U.S. and global economies, Heritage Fund investment income is expected to recover to $924 million by 2004-05.

$100 million of AMFC's restricted equity will be transferred to the government in 2002-03.

Other revenue is expected to total close to $3 billion in 2002-03. The forecast includes $50 million from increases in liquor markups, $62 million from increases in various motor vehicle fees, highway traffic fines and other fees, and the transfer of $100 million of the restricted equity of the Alberta Municipal Financing Corporation (AMFC) to the government in 2002-03.

AMFC was established to allow municipalities, school boards and other local authorities to borrow funds at the province's borrowing rate. This results in significantly lower borrowing costs for local authorities due to the province's triple A credit rating. AMFC had accumulated a sizable surplus, of which $188 million in cash was shared with participating shareholders, primarily municipalities and school boards, in 1994, 1996 and 2000. In 2002-03, the provincial government, for the first time in a decade, will also receive a benefit from AMFC's operations.

Other revenue is expected to decline in 2003-04 due to the one-time nature of the AMFC equity transfer and the divestiture of the Alberta Dairy Control Board.

Revenue from Other Sources

(millions of dollars)

	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Canada Health and Social Transfer	1,608	1,739	1,797	1,842
Gaming and lottery revenue	1,128	1,205	1,382	1,460
Health care insurance premiums	675	869	881	902
Heritage Fund investment income	162	573	778	924
Other	3,064	2,979	2,756	2,772
Total Other Revenue	**6,637**	**7,365**	**7,594**	**7,900**

Eliminating Alberta's Debt

Accumulated Debt
(millions of dollars)

March 31, 1994	22,701
March 31, 2002[a]	5,998
Reduction	16,703

[a] Less cash set aside for future debt repayment.

Debt Servicing Costs
(millions of dollars)

1994-95	1,745
2002-03[a]	510
Reduction	1,235

[a] Less interest earned on cash set aside for future debt repayment.

Accumulated debt to be cut by another $1 billion over the next three years to less than $5 billion.

Alberta has cut its accumulated debt by nearly 75%, or $16.7 billion, over the last eight years. Accumulated debt, less cash set aside for future debt repayment, is forecast to be $6 billion on March 31, 2002.

Lower debt means lower debt servicing costs. Over $1.2 billion in annual debt servicing costs have been permanently freed up. The savings have been reallocated to address Albertans' priorities. The same revenue dollars can now support more program spending since fewer dollars are being wasted on interest costs. In 2002-03, debt servicing costs, less interest earned on the cash set aside for future debt repayment, are expected to fall to $510 million.

Alberta has the lowest debt and the lowest debt servicing costs in Canada on a per capita basis.

2002-05 DEBT REPAYMENT AND INCREASES IN FINANCIAL ASSETS

The *Fiscal Responsibility Act* requires that at least 75% of the budgeted economic cushion (and in-year increases in revenue) be allocated to balance sheet improvements. The accumulated debt actually repaid each fiscal year depends on the final economic cushion, the allocation between debt repayment and increases in financial assets, and the timing of when cash becomes available and when debt matures.

Over the next three years, $1.7 billion has been allocated to debt repayment and increases in financial assets. Of this amount:

- $1,043 million will be allocated to reduce accumulated debt. This will reduce accumulated debt to less than $5 billion by March 31, 2005.
- $387 million will be retained by government funds and agencies. The Alberta Treasury Branches' equity will increase by $422 million. Partly offsetting this is a drawdown of retained income by the Alberta Heritage Foundation for Medical Research Endowment Fund and the Alberta Heritage Scholarship Fund.
- $254 million will be used for other balance sheet improvements. This includes the value of student loans now directly provided by the government.

The net assets of the province, as of March 31, 2005, are forecast at $5.8 billion, after deducting unfunded pension obligations.

CASH AVAILABLE FOR DEBT REPAYMENT

A record allocation for debt repayment occurred in 2000-01 due to record high resource revenue. The revenue was accrued in 2000-01, but the cash was received partly in 2000-01 and partly in 2001-02. This timing difference, which reflects when cash is received from natural gas royalties, resulted in large offsetting cash adjustments in the two years.

Over the last two years, more cash has been available for repaying debt than there was debt maturing. Since debt normally cannot be repaid early without paying significant prepayment penalties, the extra cash was set aside in a special income-earning account. The account balance is expected to be close to $2.5 billion on March 31, 2002. The account is expected to be drawn down over the next two years, as debt matures and is paid off.

Accumulated Debt

(millions of dollars)

	2001-02 Forecast	2002-03 Budget	2003-04 Target	2004-05 Target
Accumulated debt (at start of year)	10,265	8,478	6,912	5,314
Repayment of debt maturities	1,787	1,566	1,598	359
Accumulated debt (at end of year)	8,478	6,912	5,314	4,955
Cash set aside for future debt payment	2,480	1,092	4	—
Accumulated Debt Less Cash Set Aside	**5,998**	**5,820**	**5,310**	**4,955**

DEBT PAYDOWN AHEAD OF SCHEDULE

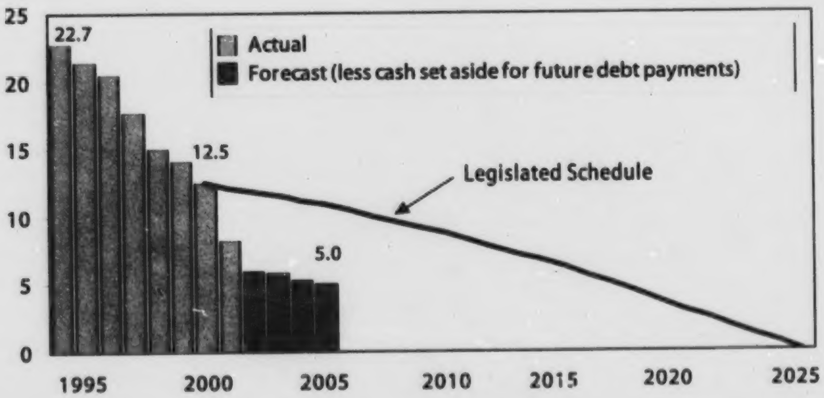
Debt repayment is nine years ahead of schedule.

The *Fiscal Responsibility Act* requires that the accumulated debt be eliminated by no later than March 31, 2025. It is now projected that the debt will be eliminated by March 31, 2016. This is nine years ahead of the legislated 25-year schedule. Accumulated debt could be eliminated earlier if energy prices are higher than assumed.

At the Alberta Future Summit in February, Albertans were asked to help develop strategic directions for Alberta's post-debt future. Albertans shared their visions on a wide range of themes, including saving for Alberta's future and the long-term role of the Heritage Fund. The final recommendations from the Summit will be received by the end of April and the government will review them carefully.

Accumulated Debt at March 31

(billions of dollars)



Fiscal Plan Tables

BUDGET 2002

THE RIGHT DECISIONS FOR CHALLENGING TIMES

Consolidated Fiscal Summary[a]

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	2002-03 Estimate	2003-04 Target	2004-05 Target
Revenue	25,597	22,673	21,148	**19,973**	20,500	20,778
Expense						
Program	18,046	20,832	19,998	**18,571**	19,191	19,580
Debt servicing costs	980	750	836	**585**	485	495
Total Expense	19,026	21,582	20,834	**19,156**	19,676	20,075
Net Revenue	6,571	1,091	314	**817**	824	703
Net decrease (increase) in capital assets affecting operations[b]	(183)	(274)	(279)	**(93)**	(34)	28
Economic Cushion	6,388	817	35	**724**	790	731
Planned allocation of economic cushion						
Debt repayment and increase in financial assets	6,388	613	35	**543**	593	548
Contingency reserve	-	204	-	**181**	197	183

[a] Subject to the *Fiscal Responsibility Act.*

[b] Converts capital to a pay-as-you-go basis.

Cash Available for Accumulated Debt Repayment

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	2002-03 Estimate	2003-04 Target	2004-05 Target
Allocation for debt repayment/increase in assets	6,388	613	35	**543**	593	548
Alberta Heritage Science and Engineering Research Endowment Fund	(500)	-	-	-	-	-
Current year cash adjustments	(1,898)	1,307	2,213	**(288)**	49	(15)
Retained income of funds and agencies	(165)	(163)	(51)	**(77)**	(132)	(178)
Current year cash available	3,825	1,757	2,197	**178**	510	355
Cash available from previous year	470	2,070 [a]	2,070	**2,480**	1,092	4
Cash Available for Accumulated Debt Repayment	4,295	3,827	4,267	**2,658**	1,602	359

[a] Restated to reflect 2000-01 actual results.

Allocation of Cash Available for Accumulated Debt Repayment

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	2002-03 Estimate	2003-04 Target	2004-05 Target
Allocation of Cash Available						
Current year debt maturities and redemptions	2,225	1,762	1,787	**1,566**	1,598	359
Future year debt maturities and redemptions	2,070	2,065 [a]	2,480	**1,092**	4	-
Total Allocation	4,295	3,827	4,267	**2,658**	1,602	359

[a] Restated to reflect 2000-01 actual results.

Accumulated Debt

(millions of dollars)

	2000-01 Actual	2001-02 Forecast	2002-03 Estimate	2003-04 Target	2004-05 Target
Accumulated debt at start of year	12,490	10,265	**8,478**	6,912	5,314
Less: Repayment of maturities and redemptions	2,225	1,787	**1,566**	1,598	359
Accumulated debt at end of year	10,265	8,478	**6,912**	5,314	4,955
Cash set aside for future debt repayment	2,070	2,480	**1,092**	4	-
Accumulated Debt Less Cash Set Aside	8,195	5,998	**5,820**	5,310	4,955

Net Financial Position

(millions of dollars)

	At March 31				
	2001 Actual	2002 Forecast	2003 Estimate	2004 Target	2005 Target
Financial Assets					
Heritage Fund external investments	11,948	12,151	**12,156**	12,161	12,165
Self-supporting lending organizations[a]	5,207	5,045	**5,358**	5,367	5,427
Endowment Funds[b]	1,866	1,766	**1,726**	1,701	1,693
Funds available for debt repayment	2,070	2,480	**1,092**	4	-
Other financial assets	5,830	2,905	**3,086**	3,177	3,264
Total Financial Assets	26,921	24,347	**23,418**	22,410	22,549
Liabilities					
Accumulated debt	10,265	8,478	**6,912**	5,314	4,955
Pension obligations	4,742	4,775	**4,831**	4,898	4,974
Self-supporting lending organizations[a]	3,915	3,599	**3,834**	3,922	3,898
Accounts and interest payable and other liabilities	3,945	3,333	**3,156**	3,056	3,025
Less: Debt held internally by consolidated entities	(246)	(140)	**(104)**	(95)	(90)
Total Liabilities	22,621	20,045	**18,629**	17,095	16,762
Net Assets	4,300	4,302	**4,789**	5,315	5,787
Pension obligations	4,742	4,775	**4,831**	4,898	4,974
Net Assets Excluding Pension Obligations	9,042	9,077	**9,620**	10,213	10,761

[a] Alberta Municipal Financing Corporation and Agriculture Financial Services Corporation.

[b] Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund, and Alberta Heritage Science and Engineering Research Endowment Fund.

Consolidated Fiscal Summary[a]

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
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Planned allocation of economic cushion						
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[a] Subject to the *Fiscal Responsibility Act*.

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(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Allocation for debt repayment/increase in assets	6,388	613	35	**543**	593	548
Alberta Heritage Science and Engineering Research Endowment Fund	(500)	-	-	**-**	-	-
Current year cash adjustments	(1,898)	1,307	2,213	**(288)**	49	(15)
Retained income of funds and agencies	(165)	(163)	(51)	**(77)**	(132)	(178)
Current year cash available	3,825	1,757	2,197	**178**	510	355
Cash available from previous year	470	2,070 [a]	2,070	**2,480**	1,092	4
Cash Available for Accumulated Debt Repayment	4,295	3,827	4,267	**2,658**	1,602	359

[a] Restated to reflect 2000-01 actual results.

Allocation of Cash Available for Accumulated Debt Repayment

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Allocation of Cash Available						
Current year debt maturities and redemptions	2,225	1,762	1,787	**1,566**	1,598	359
Future year debt maturities and redemptions	2,070	2,065 [a]	2,480	**1,092**	4	-
Total Allocation	4,295	3,827	4,267	**2,658**	1,602	359

[a] Restated to reflect 2000-01 actual results.

Accumulated Debt

(millions of dollars)

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Accumulated debt at start of year	12,490	10,265	**8,478**	6,912	5,314
Less: Repayment of maturities and redemptions	2,225	1,787	**1,566**	1,598	359
Accumulated debt at end of year	10,265	8,478	**6,912**	5,314	4,955
Cash set aside for future debt repayment	2,070	2,480	**1,092**	4	-
Accumulated Debt Less Cash Set Aside	8,195	5,998	**5,820**	5,310	4,955

Net Financial Position

(millions of dollars)

	At March 31				
	2001 Actual	2002 Forecast	2003 Estimate	2004 Target	2005 Target
Financial Assets					
Heritage Fund external investments	11,948	12,151	**12,156**	12,161	12,165
Self-supporting lending organizations[a]	5,207	5,045	**5,358**	5,367	5,427
Endowment Funds[b]	1,866	1,766	**1,726**	1,701	1,693
Funds available for debt repayment	2,070	2,480	**1,092**	4	-
Other financial assets	5,830	2,905	**3,086**	3,177	3,264
Total Financial Assets	26,921	24,347	**23,418**	22,410	22,549
Liabilities					
Accumulated debt	10,265	8,478	**6,912**	5,314	4,955
Pension obligations	4,742	4,775	**4,831**	4,898	4,974
Self-supporting lending organizations[a]	3,915	3,599	**3,834**	3,922	3,898
Accounts and interest payable and other liabilities	3,945	3,333	**3,156**	3,056	3,025
Less: Debt held internally by consolidated entities	(246)	(140)	**(104)**	(95)	(90)
Total Liabilities	22,621	20,045	**18,629**	17,095	16,762
Net Assets	4,300	4,302	**4,789**	5,315	5,787
Pension obligations	4,742	4,775	**4,831**	4,898	4,974
Net Assets Excluding Pension Obligations	9,042	9,077	**9,620**	10,213	10,761

[a] Alberta Municipal Financing Corporation and Agriculture Financial Services Corporation.

[b] Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund, and Alberta Heritage Science and Engineering Research Endowment Fund.

Revenue

(millions of dollars)	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Income Taxes						
Personal income tax	3,943	4,077	4,328	**4,708**	5,026	5,360
Corporate income tax	2,023	1,974	1,815	**1,550**	1,571	1,503
	5,966	6,051	6,143	**6,258**	6,597	6,863
Other Taxes						
School property tax	1,151	1,048	1,078	**1,093**	1,136	1,182
Tobacco tax	340	344	357	**633**	612	617
Fuel tax	581	581	590	**594**	602	618
Insurance corporations tax	119	134	134	**139**	148	156
Freehold mineral rights tax	256	253	224	**127**	133	126
Hotel room tax	53	47	52	**50**	51	52
Financial institutions capital tax	38	-	-	**-**	-	-
	2,538	2,407	2,435	**2,636**	2,682	2,751
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	7,200	5,494	3,795	**2,573**	2,678	2,463
Crude oil royalty	1,500	881	924	**469**	310	214
Synthetic crude oil and bitumen royalty	712	300	218	**78**	75	83
Coal royalty	12	11	15	**12**	11	13
Bonuses and sales of Crown leases	1,159	845	953	**609**	554	493
Rentals and fees	147	170	151	**142**	135	129
Royalty tax credit	(144)	(165)	(124)	**(169)**	(136)	(131)
	10,586	7,536	5,932	**3,714**	3,627	3,264
Transfers from Government of Canada						
Canada Health and Social Transfer	1,411	1,482	1,608	**1,739**	1,797	1,842
Medical equipment and primary care	49	63	50	**14**	14	14
Labour market development	124	122	118	**122**	122	122
Agriculture support programs	62	244	275	**117**	121	112
Other	167	167	171	**176**	183	175
	1,813	2,078	2,222	**2,168**	2,237	2,265
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission:						
Gaming and lottery revenue	988	1,010	1,128	**1,205**	1,382	1,460
Liquor revenue	481	478	495	**558**	563	563
Alberta Treasury Branches	161	151	156	**117**	138	167
Other	6	4	7	**5**	5	5
	1,636	1,643	1,786	**1,885**	2,088	2,195
Premiums, Fees and Licences						
Health care insurance premiums	680	670	675	**869**	881	902
Motor vehicle licences	208	208	213	**254**	274	279
Crop and hail insurance premiums	53	62	66	**88**	89	90
Timber rentals and fees	72	90	68	**55**	65	70
Land titles	30	31	32	**33**	34	34
Other	237	253	254	**262**	264	266
	1,280	1,314	1,308	**1,561**	1,607	1,641
Investment Income						
Alberta Heritage Savings Trust Fund	654	551	162	**573**	778	924
Alberta Municipal Financing Corporation	392	358	358	**331**	305	283
Agriculture Financial Services Corporation	101	104	102	**103**	109	115
Debt retirement funds	23	107	112	**75**	20	-
Endowment Funds:						
Medical Research	58	45	(14)	**38**	50	62
Science and Engineering Research	20	14	(7)	**13**	25	33
Scholarship	19	28	(5)	**11**	15	19
Other	86	49	52	**40**	40	42
	1,353	1,256	760	**1,184**	1,342	1,478
Other						
Alberta Dairy Control Board	72	62	134	**125**	-	-
Refunds of expenditure	87	82	165	**78**	78	78
Fines and penalties	41	43	46	**59**	62	63
Miscellaneous	225	201	217	**305**	180	180
	425	388	562	**567**	320	321
Total Revenue	25,597	22,673	21,148	**19,973**	20,500	20,778

Revenue

(millions of dollars)	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Income Taxes						
Personal income tax	3,943	4,077	4,328	**4,708**	5,026	5,360
Corporate income tax	2,023	1,974	1,815	**1,550**	1,571	1,503
	5,966	6,051	6,143	**6,258**	6,597	6,863
Other Taxes						
School property tax	1,151	1,048	1,078	**1,093**	1,136	1,182
Tobacco tax	340	344	357	**633**	612	617
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Insurance corporations tax	119	134	134	**139**	148	156
Freehold mineral rights tax	256	253	224	**127**	133	126
Hotel room tax	53	47	52	**50**	51	52
Financial institutions capital tax	38	-	-	**-**	-	-
	2,538	2,407	2,435	**2,636**	2,682	2,751
Non-Renewable Resource Revenue						
Natural gas and by-products royalty	7,200	5,494	3,795	**2,573**	2,678	2,463
Crude oil royalty	1,500	881	924	**469**	310	214
Synthetic crude oil and bitumen royalty	712	300	218	**78**	75	83
Coal royalty	12	11	15	**12**	11	13
Bonuses and sales of Crown leases	1,159	845	953	**609**	554	493
Rentals and fees	147	170	151	**142**	135	129
Royalty tax credit	(144)	(165)	(124)	**(169)**	(136)	(131)
	10,586	7,536	5,932	**3,714**	3,627	3,264
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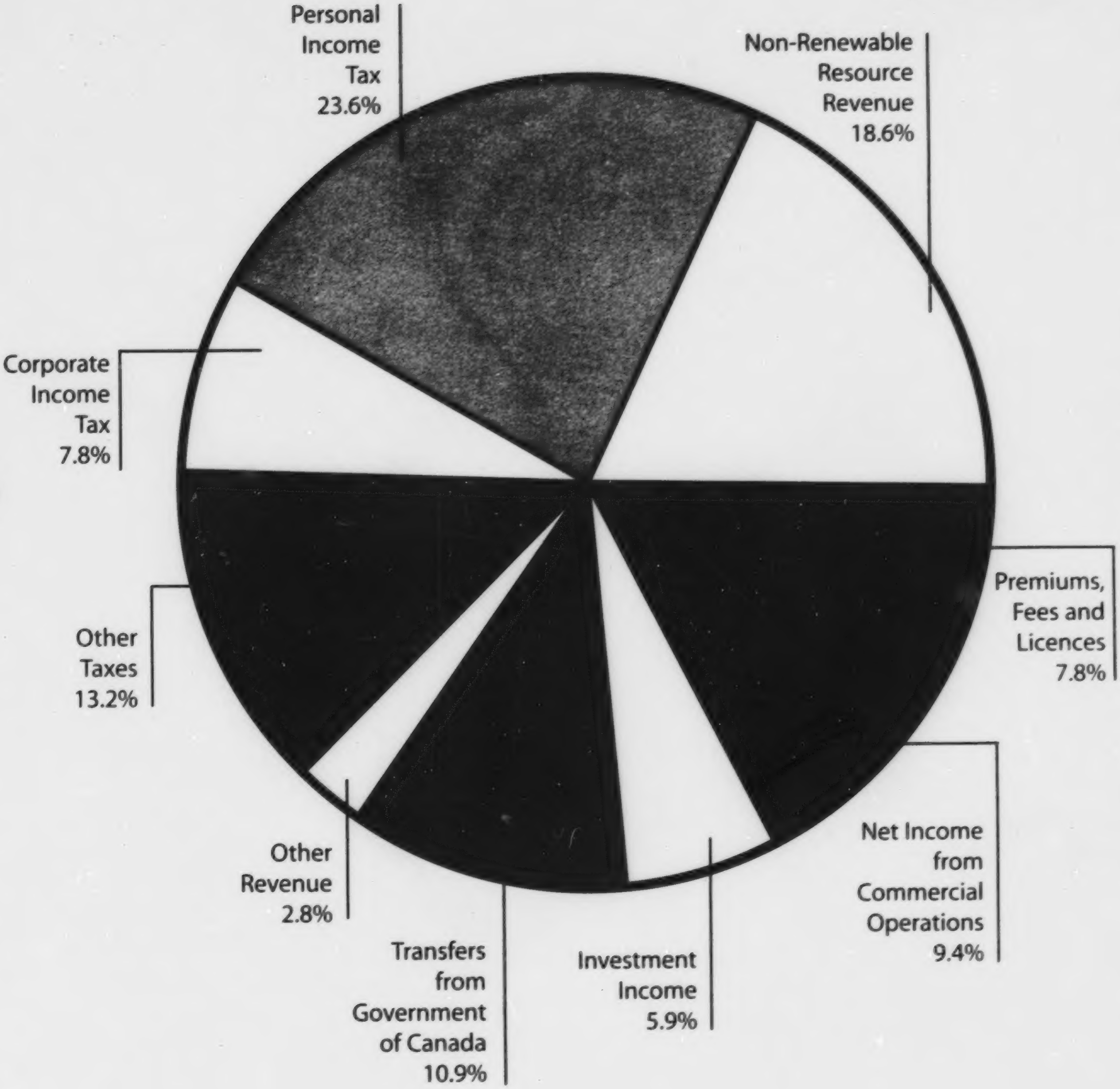
Medical equipment and primary care	49	63	50	**14**	14	14
Labour market development	124	122	118	**122**	122	122
Agriculture support programs	62	244	275	**117**	121	112
Other	167	167	171	**176**	183	175
	1,813	2,078	2,222	**2,168**	2,237	2,265
Net Income from Commercial Operations						
Alberta Gaming and Liquor Commission:						
Gaming and lottery revenue	988	1,010	1,128	**1,205**	1,382	1,460
Liquor revenue	481	478	495	**558**	563	563
Alberta Treasury Branches	161	151	156	**117**	138	167
Other	6	4	7	**5**	5	5
	1,636	1,643	1,786	**1,885**	2,088	2,195
Premiums, Fees and Licences						
Health care insurance premiums	680	670	675	**869**	881	902
Motor vehicle licences	208	208	213	**254**	274	279
Crop and hail insurance premiums	53	62	66	**88**	89	90
Timber rentals and fees	72	90	68	**55**	65	70
Land titles	30	31	32	**33**	34	34
Other	237	253	254	**262**	264	266
	1,280	1,314	1,308	**1,561**	1,607	1,641
Investment Income						
Alberta Heritage Savings Trust Fund	654	551	162	**573**	778	924
Alberta Municipal Financing Corporation	392	358	358	**331**	305	283
Agriculture Financial Services Corporation	101	104	102	**103**	109	115
Debt retirement funds	23	107	112	**75**	20	-
Endowment Funds:						
Medical Research	58	45	(14)	**38**	50	62
Science and Engineering Research	20	14	(7)	**13**	25	33
Scholarship	19	28	(5)	**11**	15	19
Other	86	49	52	**40**	40	42
	1,353	1,256	760	**1,184**	1,342	1,478
Other						
Alberta Dairy Control Board	72	62	134	**125**	-	-
Refunds of expenditure	87	82	165	**78**	78	78
Fines and penalties	41	43	46	**59**	62	63
Miscellaneous	225	201	217	**305**	180	180
	425	388	562	**567**	320	321
Total Revenue	25,597	22,673	21,148	**19,973**	20,500	20,778

Revenue

Total Revenue $20.0 billion

2002-03 ESTIMATE



Expense

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Program						
Legislative Assembly	51	58	56	**59**	59	71
Aboriginal Affairs and Northern Development	30	30	31	**30**	30	30
Agriculture, Food and Rural Development	761	883	1,168	**671**	552	553
Children's Services	587	648	648	**675**	678	678
Community Development	554	602	563	**580**	641	641
Economic Development	50	51	51	**51**	52	51
Energy	141	175	166	**165**	170	170
Environment	106	125	128	**110**	108	108
Executive Council	14	15	15	**15**	15	15
Finance	484	466	432	**442**	415	390
Gaming	181	217	204	**216**	285	309
Government Services	51	51	52	**58**	60	62
Health and Wellness	5,614	6,271	6,369	**6,837**	7,113	7,396
Human Resources and Employment	1,007	1,055	1,022	**1,059**	1,059	1,059
Infrastructure	1,965	3,076	2,257	**822**	954	873
Innovation and Science	183	232	181	**192**	196	207
International and Intergovernmental Relations	6	6	6	**6**	6	6
Justice	221	218	227	**236**	242	246
Learning	4,164	4,494	4,456	**4,664**	4,859	5,013
Municipal Affairs	161	203	170	**132**	133	133
Revenue	110	139	153	**158**	172	178
Seniors	255	299	298	**283**	283	283
Solicitor General	229	255	259	**268**	268	267
Sustainable Resource Development	236	198	297	**191**	192	192
Transportation	885	1,065	789	**651**	649	649
Total Program Expense	18,046	20,832	19,998	**18,571**	19,191	19,580
Debt servicing costs	980	750	836	**585**	485	495
Total Expense	19,026	21,582	20,834	**19,156**	19,676	20,075

Net Increase (Decrease) in Capital Assets affecting Operations

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Capital investment	440	588	592	**433**	387	330
Less: Capital amortization	257	314	313	**340**	353	358
Net Increase (Decrease) in Capital Assets affecting Operations	183	274	279	**93**	34	(28)

Expense

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Program						
Legislative Assembly	51	58	56	**59**	59	71
Aboriginal Affairs and Northern Development	30	30	31	**30**	30	30
Agriculture, Food and Rural Development	761	883	1,168	**671**	552	553
Children's Services	587	648	648	**675**	678	678
Community Development	554	602	563	**580**	641	641
Economic Development	50	51	51	**51**	52	51
Energy	141	175	166	**165**	170	170
Environment	106	125	128	**110**	108	108
Executive Council	14	15	15	**15**	15	15
Finance	484	466	432	**442**	415	390
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Net Increase (Decrease) in Capital Assets affecting Operations

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
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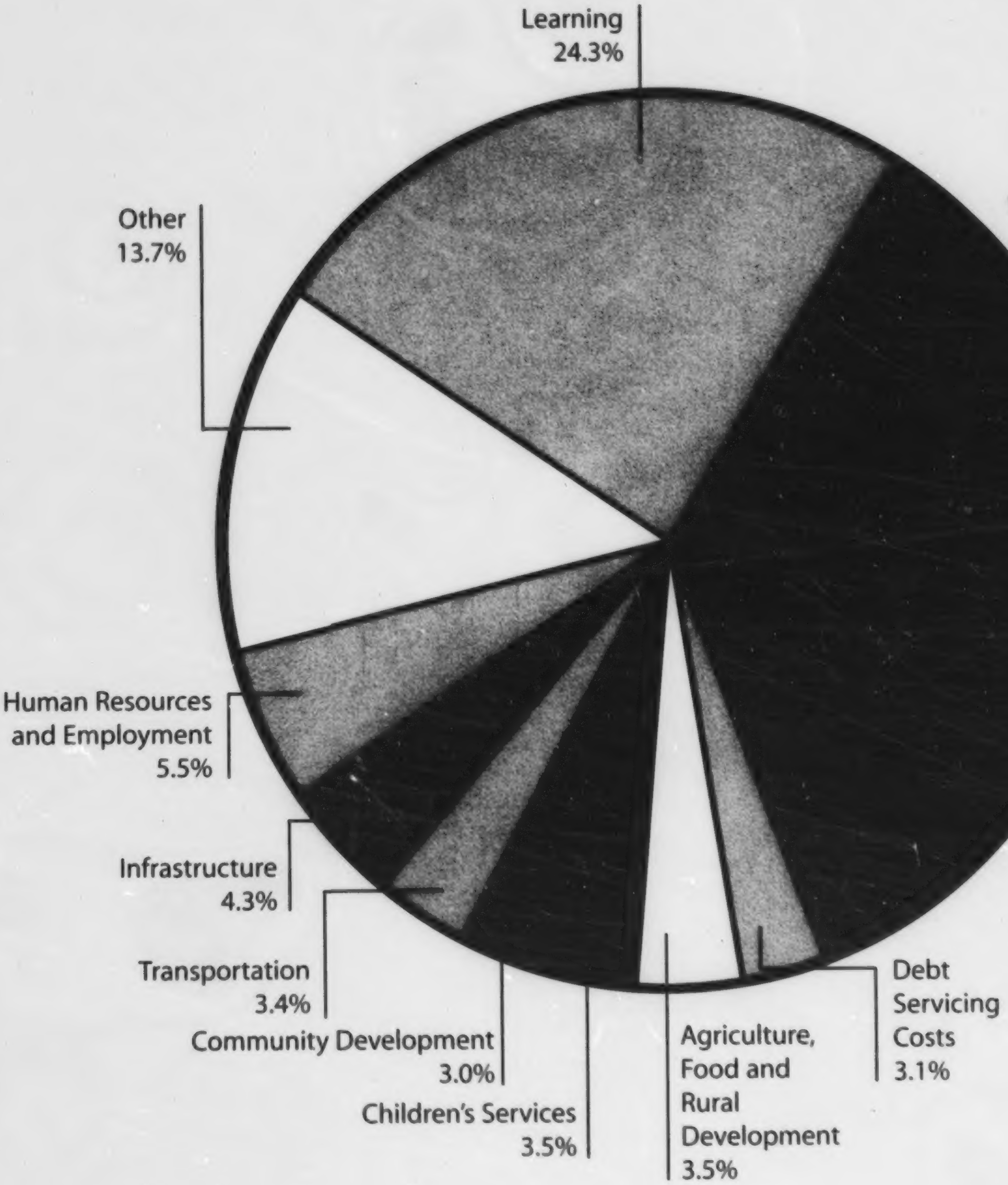
Less: Capital amortization	257	314	313	**340**	353	358
Net Increase (Decrease) in Capital Assets affecting Operations	183	274	279	**93**	34	(28)

Expense

Total Expense $19.2 billion

2002-03 ESTIMATE



Capital Investment

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Legislative Assembly	-	1	1	**-**	-	-
Aboriginal Affairs and Northern Development	-	-	-	**-**	-	-
Agriculture, Food and Rural Development	8	4	3	**5**	6	3
Children's Services	-	-	-	**-**	-	-
Community Development	4	3	3	**2**	2	2
Economic Development	-	-	-	**-**	-	-
Energy	13	7	13	**12**	10	10
Environment	1	1	1	**-**	1	1
Executive Council	-	-	-	**-**	-	-
Finance	1	4	4	**3**	2	-
Gaming	-	-	-	**-**	-	-
Government Services	1	1	-	**8**	8	11
Health and Wellness	4	2	2	**2**	2	2
Human Resources and Employment	1	4	5	**3**	4	4
Infrastructure	27	52	44	**13**	21	18
Innovation and Science	10	12	49	**128**	48	9
International and Intergovernmental Relations	-	-	-	**-**	-	-
Justice	1	1	1	**2**	2	-
Learning	2	6	4	**4**	4	3
Municipal Affairs	1	1	2	**1**	1	1
Revenue	3	3	2	**4**	4	2
Seniors	1	1	-	**-**	-	-
Solicitor General	-	-	-	**-**	-	-
Sustainable Resource Development	4	3	3	**3**	3	3
Transportation	358	482	455	**243**	269	261
Total Capital Investment	440	588	592	**433**	387	330

Support for Infrastructure[a]

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Agriculture, Food and Rural Development	19	29	22	**26**	26	26
Community Development	54	42	21	**3**	3	3
Environment	8	9	7	**7**	7	7
Gaming	25	25	23	**25**	39	39
Health and Wellness	161	49	49	**-**	-	-
Infrastructure	591	1,849	1,415	**151**	285	204
Innovation and Science	-	46	-	**-**	-	-
Learning	60	-	-	**-**	20	20
Municipal Affairs	11	70	39	**-**	-	-
Seniors	31	54	51	**26**	26	28
Transportation	691	830	560	**394**	381	381
Total Support for Infrastructure	1,651	3,003	2,187	**632**	787	708

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[a] Included in program expense.

Capital Amortization

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Legislative Assembly	-	-	-	**-**	-	-
Aboriginal Affairs and Northern Development	-	-	-	**-**	-	-
Agriculture, Food and Rural Development	5	6	6	**6**	6	7
Children's Services	1	1	1	**1**	1	1
Community Development	10	10	10	**10**	10	10
Economic Development	-	-	-	**-**	-	-
Energy	6	7	8	**8**	8	8
Environment	15	16	16	**16**	16	16
Executive Council	-	-	-	**-**	-	-
Finance	-	1	1	**1**	1	2
Gaming	-	-	-	**-**	-	-
Government Services	2	5	5	**6**	7	9
Health and Wellness	2	2	2	**3**	4	4
Human Resources and Employment	2	3	2	**3**	3	3
Infrastructure	43	54	54	**54**	54	54
Innovation and Science	10	8	8	**9**	10	10
International and Intergovernmental Relations	-	-	-	**-**	-	-
Justice	1	1	1	**1**	1	1
Learning	1	2	2	**3**	3	3
Municipal Affairs	1	2	1	**1**	1	2
Revenue	2	2	2	**3**	3	3
Seniors	24	24	24	**24**	24	24
Solicitor General	-	-	-	**-**	-	-
Sustainable Resource Development	5	6	6	**7**	7	7
Transportation	127	164	164	**184**	194	194
Total Capital Amortization	257	314	313	**340**	353	358

Capital Investment

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	2002-03 Estimate	2003-04 Target	2004-05 Target
Legislative Assembly	-	1	1	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Agriculture, Food and Rural Development	8	4	3	5	6	3
Children's Services	-	-	-	-	-	-
Community Development	4	3	3	2	2	2
Economic Development	-	-	-	-	-	-
Energy	13	7	13	12	10	10
Environment	1	1	1	-	1	1
Executive Council	-	-	-	-	-	-
Finance	1	4	4	3	2	-
Gaming	-	-	-	-	-	-
Government Services	1	1	-	8	8	11
Health and Wellness	4	2	2	2	2	2
Human Resources and Employment	1	4	5	3	4	4
Infrastructure	27	52	44	13	21	18
Innovation and Science	10	12	49	128	48	9
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	1	1	1	2	2	-
Learning	2	6	4	4	4	3
Municipal Affairs	1	1	2	1	1	1
Revenue	3	3	2	4	4	2
Seniors	1	1	-	-	-	-
Solicitor General	-	-	-	-	-	-
Sustainable Resource Development	4	3	3	3	3	3
Transportation	358	482	455	243	269	261
Total Capital Investment	440	588	592	433	387	330

Support for Infrastructure[a]

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	2002-03 Estimate	2003-04 Target	2004-05 Target
Agriculture, Food and Rural Development	19	29	22	26	26	26
Community Development	54	42	21	3	3	3
Environment	8	9	7	7	7	7
Gaming	25	25	23	25	39	39
Health and Wellness	161	49	49	-	-	-
Infrastructure	591	1,849	1,415	151	285	204
Innovation and Science	-	46	-	-	-	-
Learning	60	-	-	-	20	20
Municipal Affairs	11	70	39	-	-	-
Seniors	31	54	51	26	26	28
Transportation	691	830	560	394	381	381
Total Support for Infrastructure	1,651	3,003	2,187	632	787	708

[a] Included in program expense.

Capital Amortization

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	2002-03 Estimate	2003-04 Target	2004-05 Target
Legislative Assembly	-	-	-	-	-	-
Aboriginal Affairs and Northern Development	-	-	-	-	-	-
Agriculture, Food and Rural Development	5	6	6	6	6	7
Children's Services	1	1	1	1	1	1
Community Development	10	10	10	10	10	10
Economic Development	-	-	-	-	-	-
Energy	6	7	8	8	8	8
Environment	15	16	16	16	16	16
Executive Council	-	-	-	-	-	-
Finance	-	1	1	1	1	2
Gaming	-	-	-	-	-	-
Government Services	2	5	5	6	7	9
Health and Wellness	2	2	2	3	4	4
Human Resources and Employment	2	3	2	3	3	3
Infrastructure	43	54	54	54	54	54
Innovation and Science	10	8	8	9	10	10
International and Intergovernmental Relations	-	-	-	-	-	-
Justice	1	1	1	1	1	1
Learning	1	2	2	3	3	3
Municipal Affairs	1	2	1	1	1	2
Revenue	2	2	2	3	3	3
Seniors	24	24	24	24	24	24
Solicitor General	-	-	-	-	-	-
Sustainable Resource Development	5	6	6	7	7	7
Transportation	127	164	164	184	194	194
Total Capital Amortization	257	314	313	340	353	358

Debt Servicing Costs

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Agriculture, Food and Rural Development						
Agriculture Financial Services Corporation[a]	58	60	56	**56**	61	67
Finance						
Department	863	633	728	**480**	375	380
Learning						
Alberta School Foundation Fund	5	7	3	**4**	6	7
Seniors						
Alberta Social Housing Corporation	54	50	49	**45**	43	41
Total Debt Servicing Costs	980	750	836	**585**	485	495

[a] Includes debt servicing costs of merged Alberta Opportunity Company.

Expense by Function

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Health	5,897	7,143	6,808	**6,899**	7,229	7,465
Education	5,040	6,066	5,978	**5,339**	5,612	5,717
Social Services	1,790	1,936	1,917	**2,024**	2,081	2,099
Agriculture and Economic Development	1,095	1,266	1,522	**1,066**	961	977
Regional Planning and Development	518	480	481	**453**	426	404
Transportation and Utilities	1,648	1,630	971	**637**	649	649
Protection of Persons and Property	562	647	628	**627**	637	642
Environment and Resource Conservation	464	466	557	**436**	439	439
Recreation and Culture	335	355	308	**288**	380	404
Housing	105	140	142	**103**	96	93
General Government	592	703	686	**699**	681	691
Debt Servicing Costs	980	750	836	**585**	485	495
Total Expense	19,026	21,582	20,834	**19,156**	19,676	20,075

Debt Servicing Costs

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
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Expense by Function

(millions of dollars)

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Health	5,897	7,143	6,808	**6,899**	7,229	7,465
Education	5,040	6,066	5,978	**5,339**	5,612	5,717
Social Services	1,790	1,936	1,917	**2,024**	2,081	2,099
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Regional Planning and Development	518	480	481	**453**	426	404
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2002-03 Expense by Function

(millions of dollars)

	Health	Education	Social Services	Agriculture and Economic Development	Regional Planning and Development	Transportation and Utilities	Protection of Persons and Property	Environment and Resource Conservation	Recreation and Culture	Housing	General Government	Debt Servicing Costs	Consolidated Ministry Expense
Legislative Assembly	—	—	—	—	—	—	2	—	—	—	57	—	59
Aboriginal Affairs and Northern Development	—	—	—	—	30	—	—	—	—	—	—	—	30
Agriculture, Food and Rural Development	—	—	—	671	—	—	—	—	—	—	—	56	727
Children's Services	—	—	675	—	—	—	—	—	—	—	—	—	675
Community Development	—	—	412	—	—	—	6	46	120	—	—	—	584
Economic Development	—	—	—	51	—	—	—	—	—	—	—	—	51
Energy	—	—	—	74	—	—	—	91	—	—	—	—	165
Environment	—	—	—	—	—	—	—	110	—	—	—	—	110
Executive Council	—	—	—	—	—	—	—	—	—	—	15	—	15
Finance	—	—	—	1	331	—	2	—	—	—	107	577	1,018
Gaming	118	78	—	99	12	10	1	4	215	—	697	—	1,234
Government Services	—	—	—	—	—	—	58	—	—	—	152	—	210
Health and Wellness	6,837	—	—	—	—	—	—	—	—	—	—	—	6,837
Human Resources and Employment	—	257	741	—	—	—	27	—	—	—	34	—	1,059
Infrastructure	62	398	3	2	—	1	2	2	2	13	349	—	834
Innovation and Science	—	19	—	122	—	—	—	—	—	—	68	—	209
International and Intergovernmental Relations	—	—	—	—	—	—	—	—	—	—	6	—	6
Justice	—	—	—	—	—	—	236	—	—	—	—	—	236
Learning	—	4,664	—	—	—	—	—	—	—	—	—	4	4,668
Municipal Affairs	—	—	—	3	92	—	8	—	—	—	29	—	132
Revenue	—	20	—	83	—	—	17	—	—	—	64	—	184
Seniors	—	—	193	—	—	—	—	—	—	112	—	45	350
Solicitor General	—	—	—	—	—	—	268	—	—	—	—	—	268
Sustainable Resource Development	—	—	—	—	—	—	—	202	—	—	—	—	202
Transportation	—	—	—	14	—	637	—	—	—	—	—	—	651
Inter-Ministry Consolidation Adjustments	(118)	(97)	—	(54)	(12)	(11)	—	(19)	(49)	(22)	(879)	(97)	(1,358)
Total Expense	6,899	5,339	2,024	1,066	453	637	627	436	288	103	699	585	19,156

2002-03 Expense by Object

(millions of dollars)

	Salaries Wages, and Employee Benefits	Supplies and Services	Grants to Others	Internal Government Transfers[a]	Financial Transactions and Other	Amortization of Capital Assets	Intra Ministry Consolidation Adjustments	Consolidated Ministry Expense	Inter Ministry Consolidation Adjustments	Total Consolidated Expense
Legislative Assembly	28	18	—	—	13	—	—	59	—	59
Aboriginal Affairs and Northern Development	4	5	21	—	—	—	—	30	—	30
Agriculture, Food and Rural Development	98	53	81	124	489	6	(124)	727	—	727
Children's Services	139	427	108	542	—	1	(542)	675	—	675
Community Development	122	213	238	839	1	10	(839)	584	(4)	580
Economic Development	17	32	2	—	—	—	—	51	—	51
Energy	91	61	5	26	—	8	(26)	165	—	165
Environment	50	37	7	—	—	16	—	110	—	110
Executive Council	12	3	—	—	—	—	—	15	—	15
Finance	24	17	71	100	809	1	(4)	1,018	(96)	922
Gaming	2	2	211	1,027	—	—	(8)	1,234	(1,018)	216
Government Services	80	123	—	—	1	6	—	210	(152)	58
Health and Wellness	70	167	6,556	56	41	3	(56)	6,837	—	6,837
Human Resources and Employment	120	163	773	—	—	3	—	1,059	—	1,059
Infrastructure	54	266	460	—	—	54	—	834	(12)	822
Innovation and Science	57	76	67	92	—	9	(92)	209	(17)	192
International and Intergovernmental Relations	4	2	—	—	—	—	—	6	—	6
Justice	142	37	29	—	27	1	—	236	—	236
Learning	64	118	4,479	—	4	3	—	4,668	—	4,668
Municipal Affairs	22	18	91	—	—	1	—	132	—	132
Revenue	31	21	82	618	21	3	(592)	184	(26)	158
Seniors	14	8	259	20	45	24	(20)	350	(22)	328
Solicitor General	117	140	11	—	—	—	—	268	—	268
Sustainable Resource Development	111	71	46	—	1	7	(34)	202	(11)	191
Transportation	47	281	139	—	—	184	—	651	—	651
Total Expense	1,520	2,359	13,736	3,444	1,452	340	(2,337)	20,514	(1,358)	19,156

[a] Excluding payments for services.

Full-Time Equivalent Employment

	2001-02 Budget	2002-03 Estimate	Change
Legislative Assembly	439	**436**	(3)
Aboriginal Affairs and Northern Development	61	**61**	-
Agriculture, Food and Rural Development	1,792	**1,606**	(186)
Children's Services	2,588	**2,402**	(186)
Community Development	2,320	**2,237**	(83)
Economic Development	190	**194**	4
Energy	1,306	**1,313**	7
Environment	775	**769**	(6)
Executive Council	180	**177**	(3)
Finance	331	**351**	20
Gaming	32	**32**	-
Government Services [a]	1,547	**1,559**	12
Health and Wellness	1,188	**1,197**	9
Human Resources and Employment	1,900	**1,940**	40
Infrastructure	955	**953**	(2)
Innovation and Science	777	**787**	10
International and Intergovernmental Relations	53	**53**	-
Justice	2,066	**2,123**	57
Learning	984	**984**	-
Municipal Affairs	317	**311**	(6)
Revenue	393	**422**	29
Seniors	225	**232**	7
Solicitor General	2,090	**2,090**	-
Sustainable Resource Development	1,899	**1,879**	(20)
Transportation	817	**819**	2
Total Full-Time Equivalent Employment	25,225	**24,927**	(298)

[a] Includes full-time equivalent employment of 1,133 in both 2001-02 and 2002-03 for the Alberta Corporate Service Centre.

Full-Time Equivalent Employment

	2001-02 Budget	2002-03 Estimate	Change
Legislative Assembly	439	**436**	(3)
Aboriginal Affairs and Northern Development	61	**61**	-
Agriculture, Food and Rural Development	1,792	**1,606**	(186)
Children's Services	2,588	**2,402**	(186)
Community Development	2,320	**2,237**	(83)
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Learning	984	**984**	-
Municipal Affairs	317	**311**	(6)
Revenue	393	**422**	29
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Total Full-Time Equivalent Employment	25,225	**24,927**	(298)

[a] Includes full-time equivalent employment of 1,133 in both 2001-02 and 2002-03 for the Alberta Corporate Service Centre.

2002-03 Allocation of Lottery Fund Revenue

(millions of dollars)

Lottery Fund Revenue *	**1,211**
Agriculture, Food and Rural Development	
Agricultural Service Boards	5
Other agricultural initiatives	12
Children's Services	
Family and Community Support Services	25
Community Development	
Alberta Foundation for the Arts	21
Alberta Sport, Recreation, Parks and Wildlife Foundation	15
Wild Rose Foundation	7
Alberta Historical Resources Foundation	6
Volunteer services	3
First Nations Development Fund	2
Arts development/sport and recreation	2
Hosting 2004 Arctic Winter Games	1
Human Rights, Citizenship and Multiculturalism Education Fund	1
Economic Development	
International marketing (Tourism)	8
In-Alberta regional marketing	3
Tourism destination regions	2
Travel Alberta Secretariat	1
Gaming	
Alberta Gaming and Liquor Commission - Lottery operations	98
Racing Industry Renewal Initiative	33
Community Facility Enhancement Program	25
Calgary Exhibition and Stampede	7
Edmonton Northlands	7
Edmonton Oilers/Calgary Flames ticket lottery	5
Bingo associations	3
Major fairs and exhibitions	3
Alberta Gaming Research Council and Institute	2
Other initiatives	10
Health and Wellness	
Alberta Alcohol and Drug Abuse Commission	47
Alberta We//net	23
Rural initiatives (physicians)	17
Health services research	10
Health Innovation Fund	6
Aboriginal health strategies	2
Alberta wellness initiative	2
Infrastructure	
Health care facilities	50
School facilities	35
Seniors lodges	10
Post-secondary facilities	10
Innovation and Science	
Alberta SuperNet	122
Strategic and research investment program	37
Informatics Circle of Research Excellence	10
Alberta Agricultural Research Institute	9
Alberta Energy Research Institute	3
Alberta Forestry Research Institute	2

2002-03 Allocation of Lottery Fund Revenue - *Continued*

(millions of dollars)

Learning	
School support – transportation subsidies	40
Community education	19
Online Curriculum Repository	8
Learning Television (ACCESS)	8
School support – high speed networking	6
Achievement scholarships	3
Municipal Affairs	
Unconditional municipal grants	28
Municipal sponsorship	12
Transportation	
North-South Trade Corridor	20
Rural transportation partnerships	15
Water management infrastructure	15
Infrastructure Canada/Alberta Program	15
Finance	
Transfer for debt repayment/contingency reserve	320
Lottery Fund Revenue Allocation [b]	1,211

[a] Includes $6 million of Lottery Fund interest income.

[b] Included in program expense and capital investment except for $320 million for debt repayment and contingency reserve.

Details of Net Financial Position

(millions of dollars)

	At March 31				
	2001 Actual	2002 Forecast	2003 Estimate	2004 Target	2005 Target
Financial Assets					
Total Heritage Fund equity	12,256	12,256	12,256	12,256	12,256
Less: Internal holdings of debt	(308)	(105)	(100)	(95)	(91)
Heritage Fund external investments	11,948	12,151	12,156	12,161	12,165
Self-supporting lending organizations:					
Alberta Municipal Financing Corporation	3,725	3,614	3,853	3,784	3,764
Agriculture Financial Services Corporation [a]	1,482	1,431	1,505	1,583	1,663
Funds available for debt repayment	2,070	2,480	1,092	4	-
Endowment Funds:					
Alberta Heritage Foundation for Medical Research	1,031	962	928	904	891
Alberta Heritage Science and Engineering Research	519	510	512	516	523
Alberta Heritage Scholarship	316	294	286	281	279
Equity in commercial enterprises	629	791	914	1,059	1,233
Student loans	-	52	111	161	200
Other cash, marketable securities and accounts receivable	5,201	2,062	2,061	1,957	1,831
Total Financial Assets	26,921	24,347	23,418	22,410	22,549
Liabilities					
General Revenue Fund	10,014	8,615	7,227	5,688	5,484
School construction loans	793	698	608	526	451
Alberta Social Housing Corporation	615	549	497	471	448
Less: General Revenue Fund holdings of provincial corporation debt	(1,157)	(1,384)	(1,420)	(1,371)	(1,428)
Accumulated Debt [b]	10,265	8,478	6,912	5,314	4,955
Pension obligations	4,742	4,775	4,831	4,898	4,974
Self-supporting lending organizations:					
Alberta Municipal Financing Corporation	3,725	3,614	3,853	3,784	3,764
Agriculture Financial Services Corporation [a]	1,045	1,074	1,147	1,214	1,283
Less: Debt internally held by consolidated entities	(855)	(1,089)	(1,166)	(1,076)	(1,149)
Accounts and interest payable	3,544	3,000	2,824	2,725	2,694
Guarantees, indemnities and remissions	250	181	179	177	175
Other accrued liabilities	151	152	153	154	156
Less: Other debt internally held by consolidated entities	(246)	(140)	(104)	(95)	(90)
Total Liabilities	22,621	20,045	18,629	17,095	16,762
Net Assets	4,300	4,302	4,789	5,315	5,787
Pension obligations	4,742	4,775	4,831	4,898	4,974
Net Assets Excluding Pension Obligations	9,042	9,077	9,620	10,213	10,761

[a] Agriculture Financial Services Corporation assets and liabilities include those of the merged Alberta Opportunity Company.

[b] Subject to the *Fiscal Responsibility Act.*

Pension Obligations[a]

(millions of dollars)

	At March 31				
	2001 Actual	2002 Forecast	**2003 Estimate**	2004 Target	2005 Target
Obligations for Employees of Organizations Outside the Government Reporting Entity					
Teachers' Pension Plan	3,833	3,890	**3,955**	4,028	4,111
Universities Academic Pension Plan	145	152	**157**	162	167
Special Forces Pension Plan	54	50	**46**	42	38
	4,032	4,092	**4,158**	4,232	4,316
Obligations for Current and Former Government Employees and MLAs					
Public Service Management Pension Plan[b]	642	632	**624**	616	608
Members of the Legislative Assembly Pension Plan[b]	49	49	**49**	50	50
Management Employees Pension Plan	19	2	**-**	-	-
	710	683	**673**	666	658
Total Pension Obligations	4,742	4,775	**4,831**	4,898	4,974

[a] Pension obligations are scheduled for elimination under a 1993 legislated plan.

[b] Membership closed and pensionable service no longer being accrued.

Details of Net Financial Position

(millions of dollars)

	At March 31				
	2001 Actual	2002 Forecast	2003 Estimate	2004 Target	2005 Target
Financial Assets					
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Pension Obligations[a]

(millions of dollars)

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Total Pension Obligations	4,742	4,775	**4,831**	4,898	4,974

[a] Pension obligations are scheduled for elimination under a 1993 legislated plan.

[b] Membership closed and pensionable service no longer being accrued.

Accumulated Debt Retirement Schedule

	Fiscal Responsibility Act		Forecast/Actual	
	Required Debt Retirement (per cent)	Required Five-Year Milestones ($ millions)	Debt[a] ($ millions)	Debt Retirement (per cent)
1999-2000		**12,490**		
2000-01			8,195	
2001-02			5,998	
2002-03			5,820	
2003-04			5,310	
2004-05	13%	**10,867**	4,955	60%
2005-06				
2006-07				
2007-08				
2008-09				
2009-10	30%	**8,743**	2,831	77%
2010-11				
2011-12				
2012-13				
2013-14				
2014-15	50%	**6,245**	333	97%
2015-16			0	100%
2016-17				
2017-18				
2018-19				
2019-20	75%	**3,123**		
2020-21				
2021-22				
2022-23				
2023-24				
2024-25	100%	**0**		

[a] Less cash set aside for future debt payment. Accumulated debt payment from 2005-06 to 2015-16 assumes reductions equal to the minimum scheduled reductions for those years.

Details of Cash Available for Debt Repayment

(millions of dollars)

	2000-01 Actual	2001-02 Budget	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Allocation for debt repayment/increase in assets	6,388	613	35	**543**	593	548
Allocation for the Alberta Heritage Science and Engineering Research Endowment Fund	(500)	-	-	-	-	-
	5,888	613	35	**543**	593	548
Cash adjustments:						
Natural gas royalties	(2,346)	1,815	2,869	**(184)**	30	54
Other cash adjustments	448	(508)	(656)	**(104)**	19	(69)
Total Cash Adjustment	(1,898)	1,307	2,213	**(288)**	49	(15)
Less: Retained income of						
Alberta Treasury Branches	161	152	156	**117**	138	167
Agriculture Financial Services Corporation[a]	(25)	13	(55)	**8**	8	9
Heritage Science and Engineering Research Endowment Fund	19	7	(9)	**2**	4	7
Foundation for Medical Research Endowment Fund	8	(18)	(69)	**(34)**	(24)	(13)
Scholarship Fund	1	9	(22)	**(8)**	(5)	(2)
Other	1	-	50	**(8)**	11	10
Total Retained Income	165	163	51	**77**	132	178
Current year cash available	3,825	1,757	2,197	**178**	510	355
Cash available from previous year	470	2,070[b]	2,070	**2,480**	1,092	4
Cash Available for Accumulated Debt Repayment	4,295	3,827	4,267	**2,658**	1,602	359
Allocation of cash available						
Current year debt maturities and redemptions	2,225	1,762	1,787	**1,566**	1,598	359
Future year debt maturities and redemptions	2,070	2,065[b]	2,480	**1,092**	4	-
Cash Available for Accumulated Debt Repayment	4,295	3,827	4,267	**2,658**	1,602	359

[a] Includes retained income of merged Alberta Opportunity Company.

[b] Restated to reflect 2000-01 actual results.

Net Financing Requirements

(millions of dollars)

	2000-01 Actual	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Requirements					
General Revenue Fund term debt maturities and redemptions	2,427	1,737	**1,560**	1,695	1,495
School construction loans	99	95	**90**	83	75
Provincial corporations' term borrowing requirements	338	170	**165**	197	179
Adjustments	114	(45)	**(84)**	(180)	(93)
Gross financing requirements	2,978	1,957	**1,731**	1,795	1,656
Cash applied to accumulated debt repayment	(2,225)	(1,787)	**(1,566)**	(1,598)	(359)
Net Term Debt Financing Requirements	753	170	**165**	197	1,297

Details of Cash Available for Debt Repayment

(millions of dollars)

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	5,888	613	35	**543**	593	548
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Natural gas royalties	(2,346)	1,815	2,869	**(184)**	30	54
Other cash adjustments	448	(508)	(656)	**(104)**	19	(69)
Total Cash Adjustment	(1,898)	1,307	2,213	**(288)**	49	(15)
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Scholarship Fund	1	9	(22)	**(8)**	(5)	(2)
Other	1	-	50	**(8)**	11	10
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Cash available from previous year	470	2,070 [b]	2,070	**2,480**	1,092	4
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Allocation of cash available						
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Future year debt maturities and redemptions	2,070	2,065 [b]	2,480	**1,092**	4	-
Cash Available for Accumulated Debt Repayment	4,295	3,827	4,267	**2,658**	1,602	359

[a] Includes retained income of merged Alberta Opportunity Company.

[b] Restated to reflect 2000-01 actual results.

Net Financing Requirements

(millions of dollars)

	2000-01 Actual	2001-02 Forecast	**2002-03 Estimate**	2003-04 Target	2004-05 Target
Requirements					
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Adjustments	114	(45)	**(84)**	(180)	(93)
Gross financing requirements	2,978	1,957	**1,731**	1,795	1,656
Cash applied to accumulated debt repayment	(2,225)	(1,787)	**(1,566)**	(1,598)	(359)
Net Term Debt Financing Requirements	753	170	**165**	197	1,297

General Revenue Fund Term Debt Maturities[a]

	Par Amount in Cdn. Dollars ($ millions)	Par Amount in U.S. Dollars ($ millions)	Coupon Rate (%)	Maturity Date
2002-03 Term Debt Maturities				
Term Debt Issues				
1999 Euro Canadian Dollar Notes	100		5.25	April 8, 2002
1999 Euro Canadian Dollar Notes[b,c]	265	169	5.50	July 19, 2002
1999 Euro Canadian Dollar Notes[b,c]	213	137	6.00	November 29, 2002
1998 Euro Canadian Dollar Notes	100		5.00	December 18, 2002
1999 Euro U.S. Dollar Notes[c]	770	500	7.00	February 18, 2003
Callable notes[d]				
1998 Canadian Medium Term Notes[d]	112		varied	April 2002 to March 2003
2002-03 Total Term Debt Maturities	1,560	806		
2003-04 Term Debt Maturities				
Term Debt Issues				
1993 Canadian Debenture	500		7.75	May 5, 2003
1996 Alberta Savings Certificates	33		5.25	June 1, 2003
1998 Global U.S. Dollar Notes[c]	758	500	4.88	October 29, 2003
1998 Canadian Debenture	390		5.10	December 1, 2003
1999 Canadian Dollar Notes	14		5.30	March 30, 2004
2003-04 Total Term Debt Maturities	1,695	500		
2004-05 Term Debt Maturities				
Term Debt Issues				
2000 Euro U.S. Dollar Notes[c]	300	200	7.25	April 5, 2004
1997 Alberta Savings Certificates	13		5.25	June 1, 2004
1998 Canadian Debenture	600		6.38	June 1, 2004
1994 Japanese Yen Loan[b,c]	148	100	4.60	July 28, 2004
1999 Canadian Medium Term Notes	40		5.50	October 8, 2004
1999 Canadian Debenture	394		5.75	December 1, 2004
2004-05 Total Term Debt Maturities	1,495	300		

[a] Excludes $79.6 million in 2002-03, $113 million in 2003-04 and $99.5 million in 2004-05 of principal repayment on notes supported by provincial corporations.

[b] Notes swapped into U.S. dollars.

[c] U.S. dollar debt converted to Canadian dollars at a forecast foreign exchange rate ranging from 64 cents U.S. in July 2002 to 68 cents U.S. in July 2004.

[d] Assumes callable notes with call dates in 2002-03 will be called in that year.

Loans and Advances[a]

(millions of dollars)

	At March 31	
	2001 Actual	2002 Forecast
Loans and Advances		
Agriculture Financial Services Act	832	903
Alberta Heritage Savings Trust Fund Act		
Ridley Grain Ltd.	146	151
Vencap Acquisition Corporation	6	6
Alberta Opportunity Fund Act[b]	131	136
Students Finance Act	-	90
Farm Credit Stability Act	125	79
Alberta Housing Act	30	27
Financial Administration Act		
Accountable advances	18	18
Pratt & Whitney Canada Inc.	3	3
Board of Governors, University of Alberta	3	2
University of Lethbridge Students' Union	1	1
Implemented guarantees and indemnities	1	1
	1,296	1,417
Allowance for doubtful loans, advances, implemented guarantees and indemnities		
Ridley Grain Ltd.	(55)	(60)
Student Loan Relief Completion Payment	-	(32)
Other	(37)	(46)
	(92)	(138)
Total Loans and Advances	1,204	1,279

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[a] When a loan is considered impaired, accrued interest is no longer included in income. This does not alter the borrower's obligation to pay all accrued interest.

[b] Pending legislation, will merge the *Alberta Opportunity Fund Act* under the *Agriculture Financial Services Act* effective April 1, 2002.

Guarantees

(millions of dollars)

	At March 31	
	2001 Actual	2002 Forecast
Guarantees		
Student Loan Act	99	84
Alberta Housing Act	107	82
Farm Credit Stability Act	130	77
Feeder associations	50	50
Agriculture Financial Services Act	57	49
Alberta Opportunity Fund Act[a]	6	5
Rural utilities loans	2	2
Centre for Engineering Research Inc.	2	2
Securities Act	2	2
University of Calgary	1	1
Agricultural Societies Act	3	-
	459	354
Estimated Liability		
Loan guarantees	(17)	(17)
Student Loan Relief Completion Payment	(38)	(32)
	(55)	(49)
Total Guarantees	404	305

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[a] Pending legislation, will merge the *Alberta Opportunity Fund Act* under the *Agriculture Financial Services Act* as of April 1, 2002.

Premium, Fee and Licence Changes

		2001-02	2002-03
COMMUNITY DEVELOPMENT			
Museums and historical sites	Adult	$3.00 - $10.00	$0.00 - $15.00
	Senior	$1.50 - $8.00	$0.00 - $12.00
	Youth	$2.00 - $5.00	$0.00 - $7.50
	Family	$8.00 - $20.00	$0.00 - $40.00
	Annual pass	-	$0.00 - $100.00
	Corporate pass	-	$0.00 - $10,000.00
Cypress Hills Provincial Park			
Water rates per month		$3.00	$10.00 - $100.00
Grazing fees per animal unit month		$0.95 - $1.20	$1.39 - $2.79
Application fees		$2.00 - $10.00	$10.00 - $50.00
Bus tour fees	Adult	$4.50	$6.50
	Youth	$2.25	$4.25
Interpretative services	Adult	-	$6.50
	Youth	-	$4.25
William Watson Lodge			
Cabin fees		$25.00 - $35.00	$30.00 - $40.00
Serviced camp site		$10.00	$12.00
GOVERNMENT SERVICES			
Licence Fees			
Operator licence (1-5 Years)		$8.00 - $40.00	$11.00 - $55.00
Operator licence - Duplicate/Exchange		$10.00	$13.00
Operator licence reclassification		$5.00	$13.00
Name or address changes / condition code maintenance		-	$13.00
Reinstatement for alcohol suspension		$140.00	$200.00
Reinstatement for non-alcohol suspension		$25.00	$50.00
Identification card (1-5 Years)		$3.00 - $15.00	$6.00 - $30.00
Identification card - duplicate		$10.00	$13.00
Driver training school licence		$165.00	$175.00
Driver examiner licence (2 Year)		$40.00	$60.00
Driver instructor licence (2 Year)		$40.00	$60.00
Road Test Fees			
Road test (government conducted)		$11.00 - $26.00	$16.00 - $31.00
Road test (agent/private sector examiner)		-	$5.00
Knowledge/oral test		-	$5.00
Vehicle Registration Fees			
Passenger vehicle		$48.00	$61.00
Motorcycle and off-highway vehicle (personal/rental)		$30.00	$36.00
Isolated area		$16.00	$26.00
Charity organization		$16.00	$26.00
Antique motor vehicle		$25.00	$30.00
Government plates		$16.00	$61.00
Trailer pulled by licensed vehicle		$30.00	$100.00
Personalized plates - new / replacement		$165.00 / $55.00	$185.00 / $62.00
Dealer		$75.00	$150.00
Commercial trailer (by weight)		$96.00 - $1,848.00	$106.00 - $2,033.00
Class 1 or 3 public vehicle (by weight)		$66.00 - $3,138.00	$73.00 - $3,452.00
Class 1 school bus		$16.00	$26.00
Class 1 public bus		$96.00	$106.00
Class 2 public vehicle (2500 kg or less/over 2500 kg)		$50.00 / $72.00	$65.00 / $87.00
Class 1 rental or taxi		$72.00	$82.00
Drive away or tow away		$146.00	$161.00

Premium, Fee and Licence Changes - *Continued*

		2001-02	2002-03
Other Fees			
Intransit permit		$10.00	$15.00
Transfer plates and registration		$10.00	$13.00
Sample plate / tab for collectors		$6.00	$10.00
Plate/tab replacement and exchange		$10.00	$13.00
Duplicate registration		$10.00	$13.00
Vehicle information report		$10.00	$13.00
Searches for operator / vehicle records		$8.00	$11.00
Abstract of driving record		$8.00	$11.00
Copy of medical report		$6.00	$8.00
Restricted driver licence application		$100.00	$150.00
Application for ignition interlock device (alcohol related)		$50.00	$63.00
Application for vehicle seizure hearing (in absentia/in person)		$100.00 / $200.00	$125.00 / $250.00
Application for administrative licence suspension hearing (in absentia/in person)		$100.00 / $200.00	$125.00 / $250.00
HEALTH AND WELLNESS			
Health care insurance premiums (monthly)	Single	$34.00	$44.00
	Family	$68.00	$88.00
JUSTICE			
Court of Appeal			
Filing a Notice of Appeal and subsequent filings		$200.00	$600.00
Court of Queen's Bench			
Filing a Certificate of Readiness		$200.00	$600.00
Appointment for a solicitor/client taxation		$25.00	$100.00
Provincial Court (Civil Division)			
Issuance of a civil claim and filing a Notice of Application under part 5 of the Residential Tenancies Act		$25.00	$100.00

Major Provincial Tax Rates, 2002

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
Personal Income Tax											
Statutory Rate Range											
- Lowest Rate	(%)	**10.00**	6.05	11.25	10.90	6.05	16.00[a]	9.68	9.77	9.80	10.57
- Highest Rate	(%)	**10.00**	14.70	15.50	17.40	11.16	24.00[a]	17.84	16.67	16.70	18.02
Surtax	(%)	**—**	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Basic Exemption	($)	**13,339**	8,168	8,000	7,412	7,686	6,060	7,634	7,231	7,412	7,410
Spousal Exemption	($)	**13,339**	6,994	8,000	6,293	6,526	6,060	6,482	6,140	6,294	6,055
Corporate Income Tax											
General Rate	(%)	**13.0**[b]	13.5	17.0	16.5	12.5	9.04[c]	16.0	16.0	16.0	14.0
M&P Rate	(%)	**13.0**[b]	13.5	10/17[d]	16.5	11.0	9.04[c]	16.0	16.0	7.5	5.0
Small Business Rate	(%)	**4.5**[b]	4.5	6.0	5.0	6.0	9.04[c]	4.0	5.0	7.5	5.0
Capital Tax											
General	(max.%)	**—**	—[e]	0.60	0.50	0.30	0.64	0.30	0.25	—	—
Financial Institutions	(max.%)	**—**	3.00	3.25	3.00	0.90	1.55[f]	3.00	3.00	3.00	4.00
Retail Sales Tax	(%)	**—**	7.5	6.0	7.0	8.0	7.5[g]	8.0[g]	8.0[g]	10.0	8.0[g]
Gasoline Tax	(¢/litre)	**9.0**	11.0[h]	15.0	11.5	14.7	15.2[h,i]	13.0[i]	13.5[i]	13.0	16.5[i]
Tobacco Tax	($/carton)	**32.00**	30.00	17.20[i]	19.20[i]	8.90[i]	13.10	14.50[i]	16.04[i]	17.90	22.00[i]
Payroll Tax	(max.%)	**—**	—	—	2.15	1.95	4.26[j]	—	—	—	2.00

Rates for other provinces known as of February 26, 2002.

[a] Quebec residents receive an abatement of 16.5% of federal tax in lieu of cash transfers to Quebec for several social programs.

[b] These rates are effective April 1, 2002. Until that time the general and M&P rates are 13.5% and the small business rate is 5%.

[c] This rate applies to active business income and includes the basic rate of 8.9% plus the Youth Fund surtax of 1.6%. Other income is taxed at a higher rate.

[d] The general corporate tax rate is reduced by up to 7 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

[e] The rate is 0.15% until September 1, 2002.

[f] This rate includes the base rate of 1.28%, the Youth Fund surtax of 1.6%, and a compensatory tax of 0.25%.

[g] These provinces' sales taxes are harmonized with the federal GST.

[h] An additional 4¢/litre (increases to 6¢/litre on April 1, 2002) is imposed in the greater Vancouver area, 2.5¢/litre in Victoria and 1.5¢/liitre in Montreal.

[i] These provinces apply their retail sales tax on top of this tax.

[j] Quebec levies an additional 2% compensatory tax on the wages paid by financial institutions that is not included in this rate.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	1999-2000 Actual	2000-01 Actual	2001-02	2002-03	2003-04	2004-05
Prices						
Oil price						
WTI (US$/bbl)	23.16	30.20	23.75	20.00	20.00	20.00
Alberta wellhead (Cdn$/bbl)	30.25	39.14	30.63	25.83	24.16	22.93
Natural gas price						
Alberta wellhead (Cdn$/mcf)	2.66	6.08	3.76	3.00	3.15	3.05
Alberta wellhead (Cdn$/GJ)	2.52	5.76	3.56	2.85	2.99	2.89
Exchange rate (US¢/Cdn$)	68.0	66.5	64.0	64.3	66.3	68.3
Production						
Crude oil and equivalent (000's barrels/day)	1,467	1,490	1,491	1,599	1,732	1,800
Natural gas (billions of cubic feet)	5,370	5,342	5,367	5,423	5,438	5,408
Interest rates						
3-month Canada treasury bills (per cent)	4.75	5.42	3.15	2.65	4.13	4.50
10-year Canada bonds (per cent)	5.84	5.70	5.50	5.70	6.00	6.00

Calendar Year Assumptions	2000 Actual	2001	2002	2003	2004	2005
Gross Domestic Product						
Nominal (millions of dollars)	142,632	152,540	142,242	151,864	159,058	165,486
per cent change	22.9	6.9	-6.8	6.8	4.7	4.0
Real (millions of 1997 dollars)	118,920	124,231	127,368	132,330	137,246	141,861
per cent change	5.4	4.5	2.5	3.9	3.7	3.4
Other Indicators						
Employment (thousands)	1,588.2	1,632.1[a]	1,667.2	1,706.6	1,740.5	1,776.2
per cent change	2.2	2.8	2.2	2.4	2.0	2.1
Unemployment rate (per cent)	5.0	4.6[a]	5.1	4.7	4.6	4.4
Housing starts (number of units)	26,266	29,174[a]	29,700	28,100	26,600	26,300
Alberta Consumer Price Index	1.174	1.201[a]	1.224	1.246	1.270	1.293
per cent change	3.5	2.3	1.9	1.9	1.9	1.8
Population (thousands)	3,009.2	3,064.2[a]	3,122.2	3,175.8	3,227.2	3,276.2
per cent change	1.7	1.8	1.9	1.7	1.6	1.5

[a] actual

Sensitivities to Fiscal Year Assumptions, 2002-03[a]

(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US$/bbl)	-$1.00	-108	--	-108
Natural Gas Price (Cdn$/mcf)	-10¢	-163	--	-163
Exchange Rate (US¢/Cdn$)	+1¢	-132	-36	-96
Interest Rates	-1%	-65	-27	-38

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The interest rate sensitivity does not include the potential effect of realized capital gains or losses.

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		AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
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General	(max.%)	—	—[e]	0.60	0.50	0.30	0.64	0.30	0.25	—	—
Financial Institutions	(max.%)	—	3.00	3.25	3.00	0.90	1.55[f]	3.00	3.00	3.00	4.00
Retail Sales Tax	(%)	—	7.5	6.0	7.0	8.0	7.5[g]	8.0[g]	8.0[g]	10.0	8.0[g]
Gasoline Tax	(¢/litre)	9.0	11.0[h]	15.0	11.5	14.7	15.2[h,i]	13.0[i]	13.5[i]	13.0	16.5[i]
Tobacco Tax	($/carton)	32.00	30.00	17.20[i]	19.20[i]	8.90[i]	13.10	14.50[i]	16.04[i]	17.90	22.00[i]
Payroll Tax	(max.%)	—	—	—	2.15	1.95	4.26[j]	—	—	—	2.00

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[a] actual

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(millions of dollars)

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Historical Fiscal Summary, 1985-86 to 2004-05[a]

(millions of dollars)

		A 1985-86	B 1986-87	C 1987-88	D 1988-89	E 1989-90	F 1990-91	G 1991-92	H 1992-93	I 1993-94	J 1994-95	K 1995-96	L 1996-97	M 1997-98	N 1998-99	O 1999-00	P 2000-01	Q 2001-02 Forecast	R 2002-03 Budget	S 2003-04 Target	T 2004-05 Target
	Revenue																				
1	Personal income tax	1,521	1,768	2,236	2,039	2,536	2,796	3,057	2,794	2,877	3,063	3,177	3,445	3,877	4,601	5,100	3,943	4,328	4,708	5,026	5,360
2	Corporate income tax	780	396	595	697	700	803	731	637	854	1,073	1,332	1,407	1,848	1,659	1,255	2,023	1,815	1,550	1,571	1,503
3	School property taxes	660	686	729	769	824	915	1,027	1,115	1,168	1,196	1,205	1,169	1,212	1,118	1,128	1,151	1,078	1,093	1,136	1,182
4	Other tax revenue	341	262	553	679	683	878	1,029	1,055	1,053	1,126	1,112	1,157	1,218	1,178	1,241	1,387	1,357	1,543	1,546	1,569
5	Natural resource revenue	4,932	1,892	2,626	2,085	2,240	2,688	2,022	2,183	2,817	3,378	2,786	4,034	3,778	2,368	4,650	10,586	5,932	3,714	3,627	3,264
6	Investment income	1,706	1,483	1,338	1,301	1,346	1,589	1,547	1,059	1,269	1,004	1,182	1,094	1,237	1,146	1,468	961	402	853	1,037	1,195
7	AMFC[b]	455	482	509	533	545	536	608	652	568	563	542	522	510	464	438	392	358	331	305	283
8	Other own-source revenue	1,111	959	1,407	1,662	2,022	1,615	1,566	2,319	2,710	2,832	2,506	2,540	2,951	3,013	3,252	3,341	3,656	4,013	4,015	4,157
9	Total own-source revenue	11,506	7,928	9,993	9,765	10,896	11,820	11,587	11,814	13,316	14,235	13,842	15,368	16,632	15,547	18,532	23,784	18,926	17,805	18,263	18,513
10	Federal transfers	1,788	1,689	1,912	2,135	1,943	2,365	2,150	2,457	2,090	1,929	1,748	1,351	1,183	1,335	1,640	1,813	2,222	2,168	2,237	2,265
11	Total Revenue	13,294	9,617	11,905	11,900	12,839	14,185	13,737	14,271	15,406	16,164	15,590	16,719	17,815	16,882	20,172	25,597	21,148	19,973	20,500	20,778
	Expense by Function[c]																				
12	Health	2,958	3,191	3,056	3,338	3,602	3,864	4,103	4,325	4,169	3,905	3,747	3,978	4,369	4,624	5,302	5,897	6,808	6,899	7,229	7,465
13	Basic and advanced education	2,961	3,114	3,118	3,227	3,379	3,532	3,676	3,904	4,036	3,756	3,713	3,738	4,081	4,241	4,735	5,040	5,978	5,339	5,612	5,717
14	Social services	1,156	1,270	1,329	1,434	1,502	1,567	1,746	1,889	1,721	1,495	1,456	1,511	1,564	1,560	1,668	1,790	1,917	2,024	2,081	2,099
15	Other program expense	6,798	5,778	5,195	5,111	5,357	5,772	5,527	6,058	5,197	4,324	3,840	3,541	3,820	3,984	4,720	5,319	5,295	4,309	4,269	4,299
16	Total program expense	13,873	13,353	12,698	13,110	13,840	14,735	15,052	16,176	15,123	13,480	12,756	12,768	13,834	14,409	16,425	18,046	19,998	18,571	19,191	19,580
17	Debt servicing costs	182	297	572	797	1,115	1,282	1,314	1,419	1,654	1,746	1,683	1,462	1,322	1,379	956	980	836	585	485	495
18	Total Expense	14,055	13,650	13,270	13,907	14,955	16,017	16,366	17,595	16,777	15,226	14,439	14,230	15,156	15,788	17,381	19,026	20,834	19,156	19,676	20,075
	Net Change in Capital Assets[d]																				
19	Capital investment	—	—	—	—	—	—	—	363	305	265	261	196	252	296	304	440	592	433	387	330
20	Capital amortization	—	—	—	—	—	—	—	(272)	(292)	(285)	(242)	(234)	(232)	(228)	(230)	(257)	(313)	(340)	(353)	(358)
21	Net Increase (Decrease) in Capital Assets	—	—	—	—	—	—	—	91	13	(20)	19	(38)	20	68	74	183	279	93	34	(28)
22	**Surplus (Deficit)/ Cushion**	(761)	(4,033)	(1,365)	(2,007)	(2,116)	(1,832)	(2,629)	(3,415)	(1,384)	958	1,132	2,527	2,639	1,026	2,717	6,388	35	724	790	731
	Financial Assets (Debt)																				
23	Net assets (debt)[e,f]	11,817	7,784	6,419	4,412	2,296	464	(2,165)	(7,054)	(8,313)	(7,355)	(6,255)	(3,728)	(1,089)	(63)	2,654	9,042	9,077	9,620	10,213	10,761
24	Pension obligations	(5,500)	(6,625)	(7,946)	(8,004)	(8,243)	(6,156)	(5,774)	(4,770)	(5,066)	(5,352)	(5,352)	(4,981)	(4,890)	(4,813)	(4,728)	(4,742)	(4,775)	(4,831)	(4,898)	(4,974)
25	Total Net Assets (Net Debt)	6,317	1,159	(1,527)	(3,592)	(5,947)	(5,692)	(7,939)	(11,824)	(13,379)	(12,707)	(11,607)	(8,709)	(5,979)	(4,876)	(2,074)	4,300	4,302	4,789	5,315	5,787
26	**Accumulated Debt[g]**	4,953	10,091	11,105	13,069	15,527	16,647	17,406	20,305	22,701	21,451	20,531	17,733	14,976	14,106	12,020	8,195	5,998	5,820	5,310	4,955

a Numbers have been restated on a 2002-03 basis except as noted.

b Alberta Municipal Financing Corporation.

c Beginning in 1996-97, valuation adjustments have been allocated by function. In prior years, all valuation adjustments were included in other program expense.

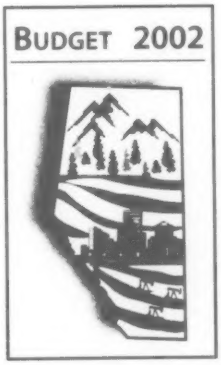
d Prior to 1992-93, capital investment is included in total expense.

e Excludes pension obligations. Net debt was increased by $1,474 million in 1992-93 primarily for a provision for school construction debt; reduced by $125 million in 1993-94 to record personal income tax and established programs financing entitlements on an accrual basis, and increased by $32 million in 1995-96 to report some other revenues on accrual basis.

f Assumes debt payment and increase in financial assets of $543 million in 2002-03, $593 million in 2003-04 and $548 million in 2004-05.

g Less cash set aside for future debt repayments.

Economic Outlook


BUDGET 2002

THE RIGHT DECISIONS FOR CHALLENGING TIMES

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Economic Outlook

Alberta turned in another strong economic performance in 2001, growing by an estimated 4.5%. Strong growth in household spending, spurred on by tax cuts and a healthy labour market, helped insulate the Alberta economy from declining energy prices and the U.S. recession.

Lower energy prices are expected to reduce business investment in 2002 and limit Alberta's economic growth to 2.5%. Economic growth is expected to rebound to 3.9% in 2003 as the recovery strengthens in the United States and Canada. Alberta's economic growth is expected to average a healthy 3.6% per year over the medium term.

Key Energy and Economic Assumptions

Fiscal Year Assumptions	**1999-2000 Actual**	**2000-01 Actual**	**2001-02**	**2002-03**	**2003-04**	**2004-05**
Prices						
Oil price						
WTI (US$/bbl)	23.16	30.20	23.75	**20.00**	20.00	20.00
Alberta wellhead (Cdn$/bbl)	30.25	39.14	30.63	**25.83**	24.16	22.93
Natural gas price						
Alberta wellhead (Cdn$/mcf)	2.66	6.08	3.76	**3.00**	3.15	3.05
Alberta wellhead (Cdn$/GJ)	2.52	5.76	3.56	**2.85**	2.99	2.89
Exchange rate (US¢/Cdn$)	68.0	66.5	64.0	**64.3**	66.3	68.3
Production						
Crude oil and equivalent (000's barrels/day)	1,467	1,490	1,491	**1,599**	1,732	1,800
Natural gas (billions of cubic feet)	5,370	5,342	5,367	**5,423**	5,438	5,408
Interest rates						
3-month Canada treasury bills (per cent)	4.75	5.42	3.15	**2.65**	4.13	4.50
10-year Canada bonds (per cent)	5.84	5.70	5.50	**5.70**	6.00	6.00

Calendar Year Assumptions	**2000 Actual**	**2001**	**2002**	**2003**	**2004**	**2005**
Gross Domestic Product						
Nominal (millions of dollars)	142,632	152,540	**142,242**	151,864	159,058	165,486
per cent change	22.9	6.9	**-6.8**	6.8	4.7	4.0
Real (millions of 1997 dollars)	118,920	124,231	**127,368**	132,330	137,246	141,861
per cent change	5.4	4.5	**2.5**	3.9	3.7	3.4
Other Indicators						
Employment (thousands)	1,588.2	1,632.1[a]	**1,667.2**	1,706.6	1,740.5	1,776.2
per cent change	2.2	2.8	**2.2**	2.4	2.0	2.1
Unemployment rate (per cent)	5.0	4.6[a]	**5.1**	4.7	4.6	4.4
Housing starts (number of units)	26,266	29,174[a]	**29,700**	28,100	26,600	26,300
Alberta Consumer Price Index	1.174	1.201[a]	**1.224**	1.246	1.270	1.293
per cent change	3.5	2.3	**1.9**	1.9	1.9	1.8
Population (thousands)	3,009.2	3,064.2[a]	**3,122.2**	3,175.8	3,227.2	3,276.2
per cent change	1.7	1.8	**1.9**	1.7	1.6	1.5

[a] actual

Economic Outlook

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Lower energy prices are expected to reduce business investment in 2002 and limit Alberta's economic growth to 2.5%. Economic growth is expected to rebound to 3.9% in 2003 as the recovery strengthens in the United States and Canada. Alberta's economic growth is expected to average a healthy 3.6% per year over the medium term.

Key Energy and Economic Assumptions

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[a] actual

2001 IN REVIEW

Despite the North American slowdown and weakening energy prices, the Alberta economy grew by an estimated 4.5% in 2001. Although overall activity in the conventional energy sector slackened as prices weakened through the year, a 43% increase in oil sands investment helped boost energy investment by 23%. Household spending remained strong throughout the year due to a healthy labour market and large personal income tax cuts.

- In January 2001, tight energy supplies and cold weather in the United States brought high energy prices and fears of emerging shortages. Alberta's natural gas reference price peaked at Cdn$11.82 per thousand cubic feet (mcf), while West Texas Intermediate oil prices averaged US$28.68 per barrel. Activity in Alberta's energy sector surged in the first quarter – rigs drilling reached the highest level in more than 10 years and the value of natural gas exports to the United States was up 230% from the preceding year.
- In March 2001, the U.S. economic slowdown turned into a recession. The fall in demand resolved the U.S. energy problem, natural gas prices began to slide and OPEC cut production in an effort to maintain oil prices.
- OPEC's efforts were relatively successful until the fallout from the September 11 terrorist attacks exacerbated the existing economic weakness. By December 2001, the price of West Texas Intermediate had fallen to US$19.36 per barrel and the Alberta natural gas reference price was Cdn$3.37 per mcf.
- Drilling activity came down sharply in the fall of 2001, leaving the number of rigs drilling up only 0.7% for the year as a whole. A 43% increase in oil sands investment, however, boosted overall investment in the energy sector by 23%.
- The value of international goods exports also weakened in the latter part of 2001, but was up 3.0% for 2001 as a whole. Manufacturing shipments were down 0.3% in 2001.
- Alberta's livestock sector performed well in 2001. Livestock receipts rose 16.6% to a record $5.2 billion due to record receipts for both hogs and cattle. Drought in much of the province, however, limited the increase in crop receipts to 0.7%. Direct program payments increased by 18% to $836 million. Overall farm cash receipts hit a record $8.3 billion.
- Although the pace of job growth moderated slightly towards the end of the year, the Alberta economy created 43,900 new jobs in 2001. The average unemployment rate fell to 4.6%, the lowest in Canada and the lowest annual level in Alberta since 1981. Job gains were led by mining, construction, and professional, scientific and technical services.

- Alberta's strong economy and low taxes attracted 21,154 net interprovincial migrants to the province in the first three quarters of 2001, mostly from British Columbia, Saskatchewan and Ontario. Alberta's population reached 3,064,249 on July 1, 2001, up 1.8% from 2000.
- With a $1.1 billion cut to provincial personal income taxes, personal disposable income increased by an estimated 8.0% in 2001. Retail sales were up 9.1% in 2001, the fastest growth in Canada. Falling interest rates gave an extra boost to housing starts, which were up by 11.1%.
- Falling energy prices reduced the overall CPI inflation rate to 2.3% in 2001, down from 3.5% in 2000.

GLOBAL ECONOMIC OUTLOOK

After 10 years of expansion, the U.S. economy officially entered a recession in March 2001, triggered by a sharp decline in business investment, particularly in high technology. Unlike past recessions, consumer spending remained healthy and helped moderate the decline. U.S. authorities reacted vigorously. The Federal Reserve cut U.S. interest rates by 4.75 percentage points, and the Bush administration cut taxes by over $100 billion. Even so, U.S. economic growth fell from 4.1% in 2000 to 1.2% in 2001.

The U.S. slowdown dragged down global economic growth. Economic growth in Canada dropped from 4.4% in 2000 to an estimated 1.5% in 2001 despite major federal and provincial tax cuts and a 3.75 percentage point cut in interest rates. Growth in Europe slowed from 3.4% in 2000 to an estimated 1.4% in 2001 and Japan entered a deep recession.

Recent indicators suggest that the U.S. economy is beginning to stabilize. The economy managed to eke out a small gain at the end of 2001 and the pace of job losses has slowed. U.S. economic growth should strengthen over the course of this year, although growth for 2002 is expected to average only 2.0%. The U.S. economy is expected to pick up in 2003 with growth of 3.6%. The Canadian economy is expected to follow the U.S. recovery as growth is expected to average 2.0% in 2002, and then pick up strongly to 3.5% in 2003.

World oil prices are expected to fluctuate around US$20 per barrel over the 2002-03 to 2004-05 period. Alberta natural gas prices are expected to average $3.00 per mcf in 2002-03, $3.15 per mcf in 2003-04 and $3.05 per mcf in 2004-05.

ALBERTA ECONOMIC OUTLOOK

Alberta's real economic growth is expected to slow to 2.5% in 2002. Although consumer spending should remain strong, investment is expected to fall. Activity in the conventional energy sector has already weakened in response to lower prices (especially for natural gas), and while investment in oil sands is expected to remain high, it is not expected to grow. Investment in the non-energy sector is expected to remain weak until the North American recovery takes hold and corporate profits improve. Exports are expected to post fairly healthy growth this year as production from oil sands expansions comes on stream. Despite the rise in real gross domestic product (GDP), Alberta's nominal GDP is expected to decline by 6.8% because of the sharp fall in oil and natural gas prices from their peak in the first quarter of 2001.

Alberta's real economic growth is expected to rebound to 3.9% in 2003 as the recovery takes hold in the rest of North America. Over the medium term, real economic growth is expected to moderate to a more sustainable average of 3.6%. Employment growth is forecast to average 2.2% over the 2002 to 2005 period, and the unemployment rate is expected to edge down to 4.4% by 2005.

RISKS

Although the U.S. economy is showing encouraging signs of recovery, the possibility of a double-dip recession remains a key risk. The gain in the fourth quarter of 2001 was concentrated in government spending and incentive-induced auto sales. A sustained recovery is unlikely without a revival in corporate profitability and business investment. A renewed outbreak of terrorism could also weaken the economic outlook in the United States and the rest of the world.

Failure by OPEC and other key producing states like Russia to adhere to production cuts could lead to further weakness in oil prices. Natural gas prices are also dependent on the U.S. recovery, especially in view of increased supplies over the past few years.

Sensitivities to Fiscal Year Assumptions, 2002-03[a]

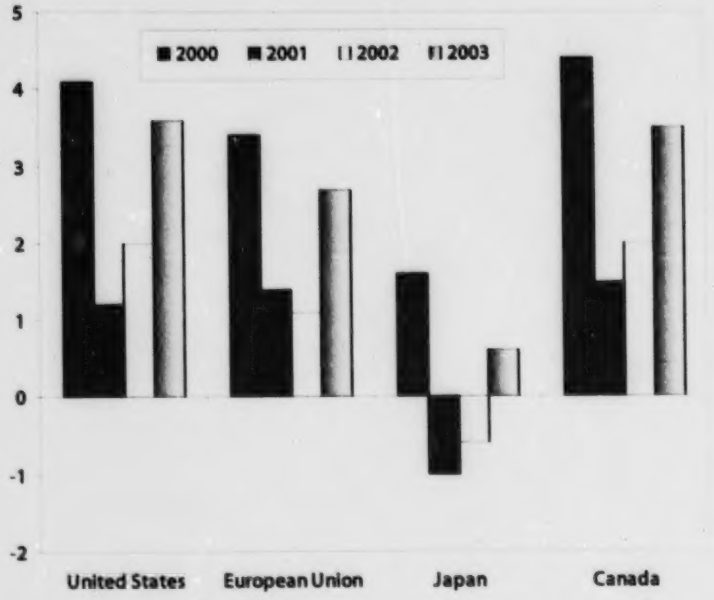
(millions of dollars)

	Annual Change	Revenue	Spending	Net Change
Oil Price (WTI US$/bbl)	-$1.00	-108	--	-108
Natural Gas Price (Cdn$/mcf)	-10¢	-163	--	-163
Exchange Rate (US¢/Cdn$)	+1¢	-132	-36	-96
Interest Rates	-1%	-65	-27	-38

[a] Sensitivities are based on current assumptions of prices and rates and show the effect for a full 12 month period. Sensitivities can vary significantly at different price and rate levels. The interest rate sensitivity does not include the potential effect of realized capital gains or losses.

GLOBAL SLOWDOWN IN 2001

Real Gross Domestic Product (per cent change)

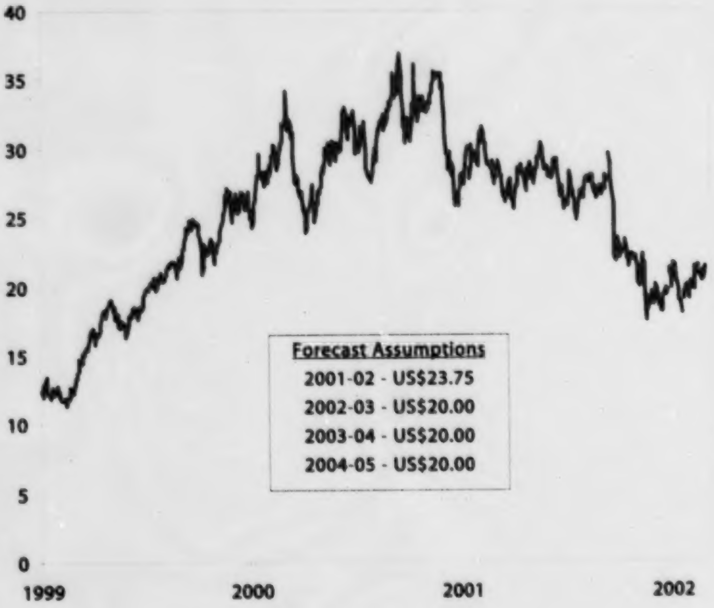


Source: IMF, Bureau of Economic Analysis and Alberta Finance

- The U.S. economy entered a recession in March 2001. Economic growth slowed from 4.1% in 2000 to 1.2% in 2001, triggering a synchronized global slowdown. In Canada, economic growth slowed from 4.4% in 2000 to 1.5% in 2001.
- Recent indicators suggest that the U.S. economy is beginning to respond to the aggressive cuts in interest rates and taxes over the last year. In 2002, growth is expected to average 2.0%, increasing to 3.6% in 2003.
- Canada is expected to follow the United States, posting growth of 2.0% in 2002 and 3.5% in 2003.

MORE MODERATE OIL PRICES

WTI Price (US$/bbl, daily)



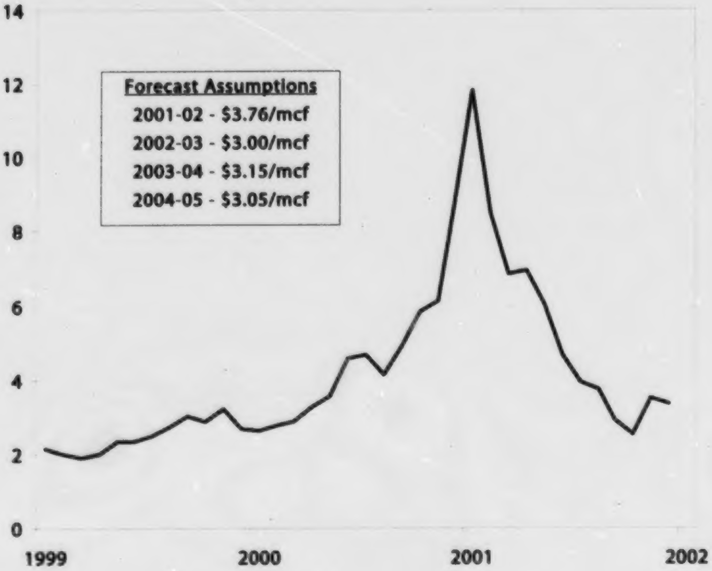
Source: Alberta Energy

- The global slowdown in 2001 weakened the demand for oil. Oil prices remained relatively high for most of the year due to a coordinated effort by OPEC.
- World oil prices dropped from around US$27 per barrel to around US$23 per barrel in late September. Since then, they have averaged just over US$20 per barrel. OPEC succeeded in convincing other major producers like Russia and Norway to cut production in concert with OPEC members, averting a steeper decline in prices.
- Oil prices for 2001-02 are now expected to average US$23.75. Over the 2002-03 to 2004-05 period, oil prices are expected to average US$20 per barrel.

- Natural gas demand has been hard hit by the U.S. recession. Output in the U.S. industrial sector, which accounts for almost half of the natural gas consumed in the United States, has been declining since June 2000. Increased supplies of natural gas and warm weather this winter have further weakened natural gas prices.
- Natural gas prices are now expected to average $3.76 per thousand cubic feet (mcf) in 2001-02, $3.00 per mcf in 2002-03, $3.15 per mcf in 2003-04 and $3.05 per mcf in 2004-05.

NATURAL GAS PRICES MODERATE

Alberta Reference Price (Cdn$/mcf, monthly)



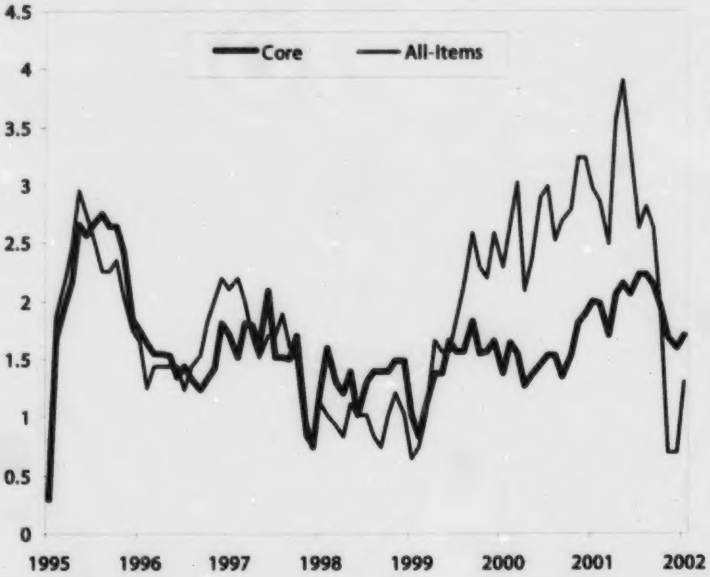
Forecast Assumptions
2001-02 - $3.76/mcf
2002-03 - $3.00/mcf
2003-04 - $3.15/mcf
2004-05 - $3.05/mcf

Source: Alberta Energy

- Over the past two years, rising energy prices pushed up the overall Consumer Price Index (CPI) inflation rate, although underlying inflation pressures remained subdued in both Canada and Alberta. For Canada, the all-items inflation rate was 2.5% in 2001, while core inflation was 2.0%.
- Overall inflation in Alberta was 3.5% in 2000, retreating to 2.3% in 2001 even though the core CPI inflation rate, which excludes food and energy, remained stable at around 2% for both years.
- Over the medium term, the overall inflation rate for both Alberta and Canada is expected to be around 2%, the mid-point of the Bank of Canada's 1% to 3% inflation target zone.

CANADIAN INFLATION COMING DOWN

Consumer Price Index (12-month per cent change)

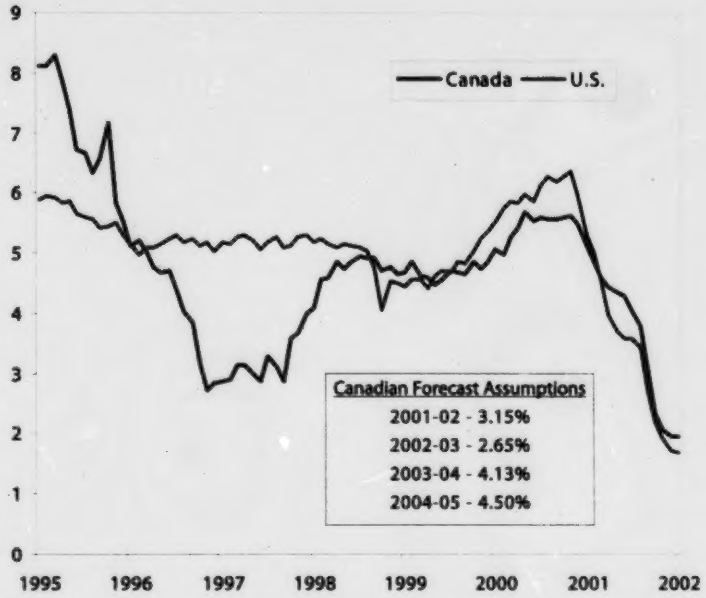


Source: Statistics Canada

- The U.S. Federal Reserve reacted strongly to the weakness in the U.S. economy, cutting interest rates by 4.75 percentage points in 2001, and bringing short-term rates to their lowest levels in 40 years.
- The Bank of Canada has cut interest rates by 3.75 percentage points since January 2001. The cuts were smaller than in the United States since federal and provincial tax cuts at the beginning of 2001 helped to maintain economic growth early in the year. As well, the Canadian dollar weakened, falling from US66.8 cents at the beginning of 2001 to an all-time low of US62.0 cents in January 2002.
- Over the medium term, interest rates are expected to increase as the Canadian and U.S. economies strengthen.

LOWEST INTEREST RATES IN DECADES

3-month Treasury Bills (per cent)

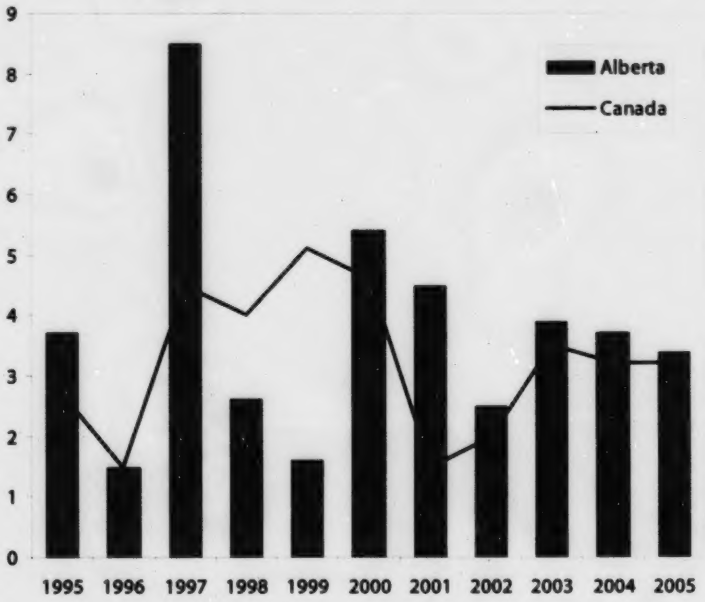


Source: Bank of Canada, Federal Reserve Bank of St. Louis and Alberta Finance

- Alberta outperformed the Canadian economy in 2001, growing at an estimated 4.5%, compared to 1.5% nationally. Strong consumer spending and high energy sector investment helped shield Alberta from the downturn in the rest of North America.
- Although Alberta's economic growth is forecast to slow to 2.5% in 2002 as investment falls, Alberta is expected to continue outperforming the Canadian economy. The strong rebound in U.S. economic activity in 2003 is expected to provide a strong boost to economic activity in both Canada and Alberta.

ALBERTA OUTPERFORMS

Real GDP (per cent change)

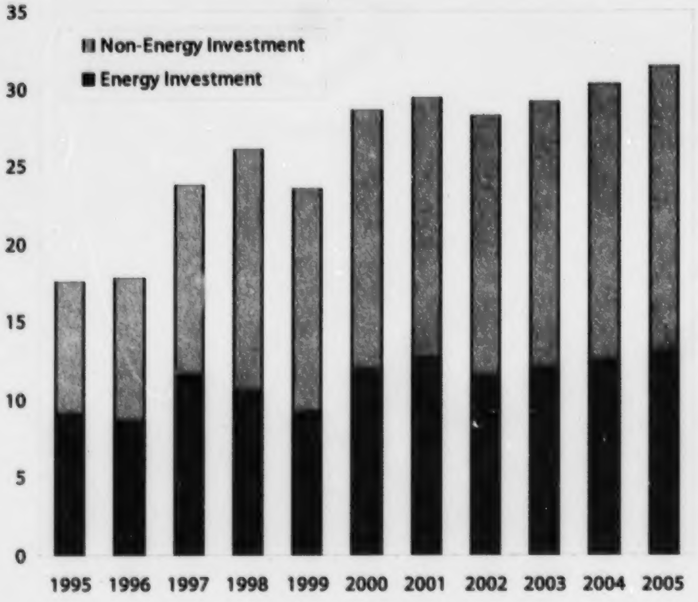


Source: Statistics Canada and Alberta Finance

- Conventional energy sector investment weakened over the course of 2001 as energy prices fell. Drilling activity was up 11.9% in the first 9 months of 2001, compared to the same period in 2000. It dropped in the autumn as prices weakened, leaving the number of rigs drilling up 0.7% for 2001 as a whole. In 2002, real energy investment is expected to fall 10%, reflecting lower oil and natural gas prices.
- Non-energy investment is also expected to weaken in 2002, due to a weaker external environment. It is expected to pick up as the North American economy rebounds and corporate profits recover.

BUSINESS INVESTMENT TO FALL IN 2002

(billions of 1997 dollars)

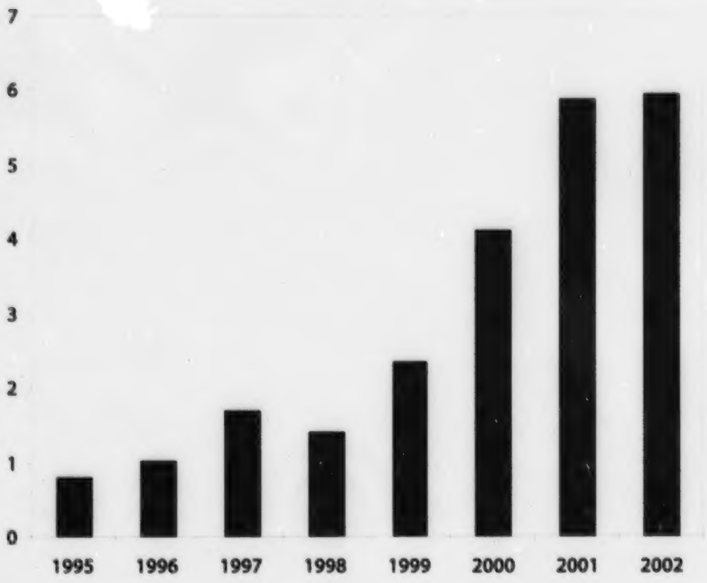


Source: Alberta Finance

- The main increase in business investment in 2001 was in oil sands, which represents approximately 30% of Alberta's total energy investment. Oil sands investment has increased dramatically over the last few years, rising from just under $1 billion in 1995 to almost $6 billion in 2001. Oil sands investment was up 43% in 2001.
- In 2002, oil sands investment is expected to increase 1.6% according to Statistics Canada's investment survey. It is thus expected to remain high, but not to show the same kind of growth as it has in recent years.

OIL SANDS UP STRONGLY IN 2001

Oil Sands Investment ($billions)

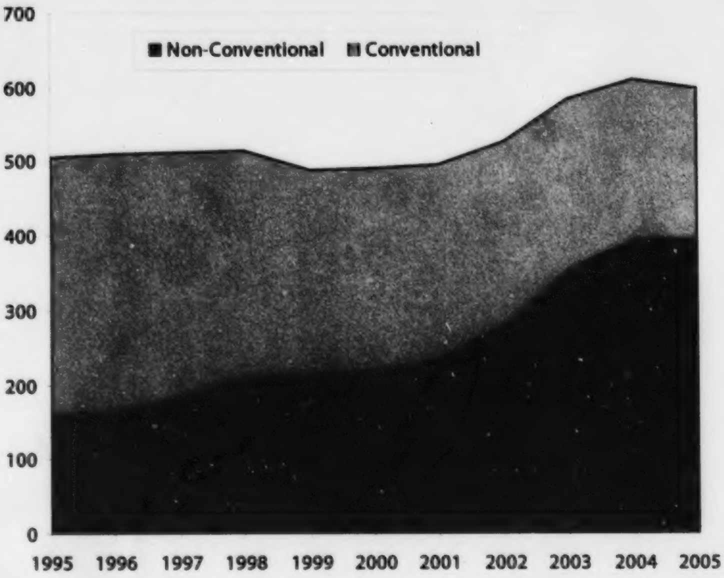


Source: Statistics Canada

- Over the medium term, oil sands are expected to lead total oil production in Alberta.
- There are about $17 billion worth of oil sands investment projects announced for the next 10 years, and an additional $30 billion in the proposal stage. Consequently, non-conventional oil production is expected to increase by more than two-thirds by 2005. It should account for about two-thirds of Alberta's oil production in 2005, compared to 44% in 2000.

NON-CONVENTIONAL OIL STILL GROWING

(millions of barrels per year)

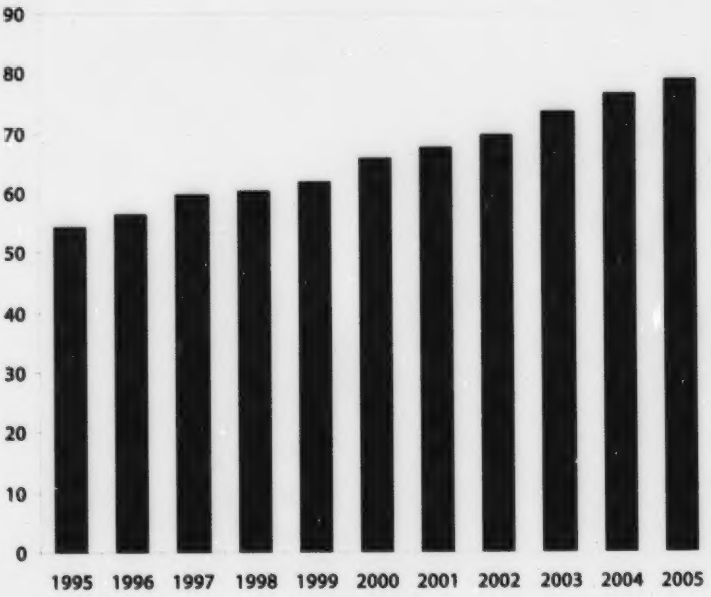


Source: Alberta Energy

- Large increases in non-conventional oil production are expected to provide a boost to Alberta's energy exports over the forecast horizon.
- Non-energy exports are also expected to rebound as the North American economy strengthens in 2003.

ALBERTA EXPORTS DRIVING GROWTH

Alberta Real Exports (1997 $billions)

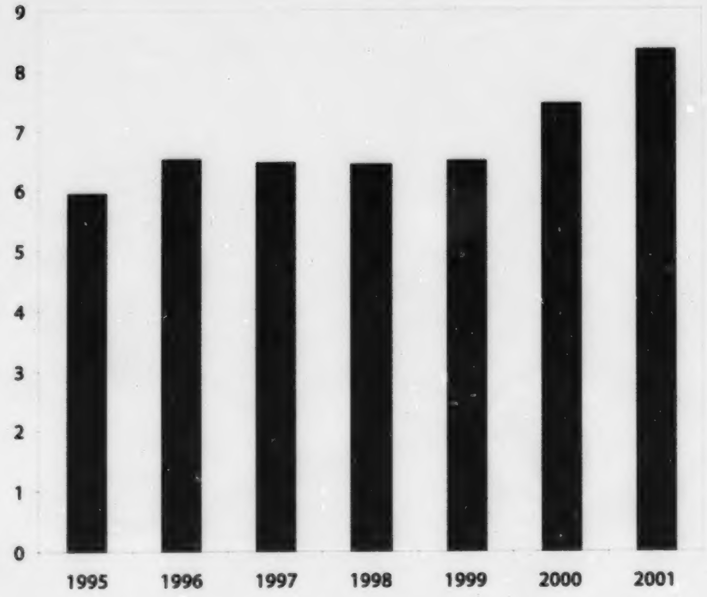


Source: Alberta Finance

FARM CASH RECEIPTS UP

(billions of dollars)

- Despite some regional problems, Alberta's farm cash receipts were a record $8.3 billion in 2001.
- Most of the increase was due to livestock receipts, which rose by 16.6% to a record $5.2 billion. Hog receipts were up 12.8% to $563 million, the highest on record, and cattle and calves receipts were up 18.5% to $4 billion, also a new record. Poultry increased 12.8%, eggs were up 11.3%, and dairy increased by 9.4%.
- Crop receipts increased by 0.7% to just under $2.3 billion - canola was up 11.4% to $578 million, wheat increased just 0.3% to $920 million, and barley fell 7.4% to $204 million.
- Direct program payments increased by 18.2% to $836 million.

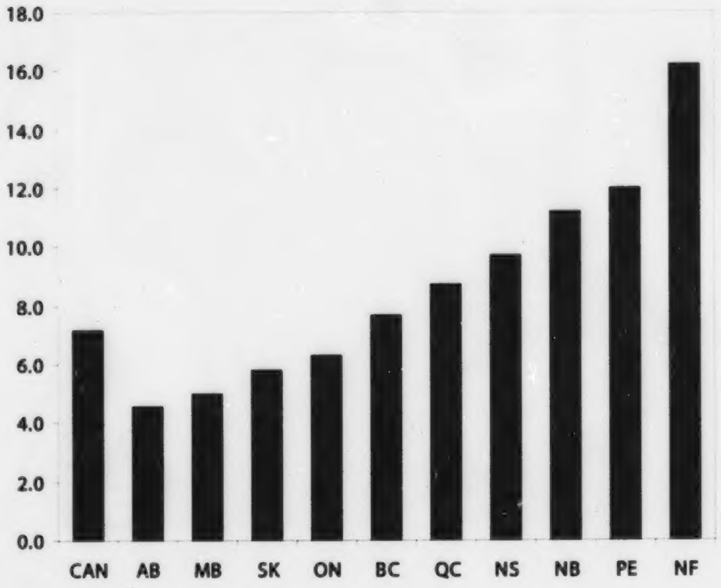


Source: Statistics Canada and Alberta Agriculture, Food and Rural Development

LOWEST UNEMPLOYMENT RATE AMONG PROVINCES IN 2001

(per cent)

- As a result of strong economic growth in 2001, the Alberta economy created 43,900 new jobs. Job gains were led by mining, construction, and professional, scientific and technical services.
- As a result, Alberta's unemployment rate dropped from an average of 5.0% in 2000 to 4.6% in 2001, the lowest among the provinces. It is Alberta's lowest annual unemployment rate since 1981.
- In January 2002, the Alberta economy created 11,200 jobs. The unemployment rate was 4.7%, the lowest in Canada.

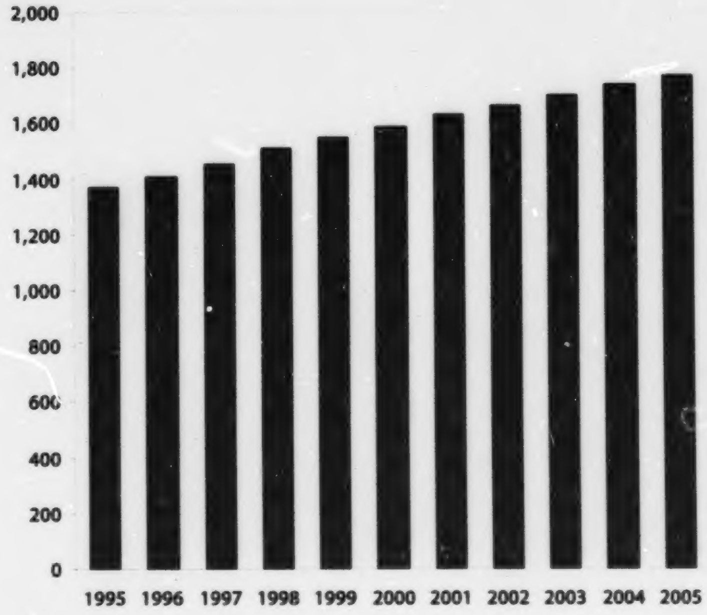


Source: Statistics Canada

- Although economic growth is expected to slow to 2.5% in 2002, the Alberta economy is forecast to create an additional 35,000 jobs this year. The unemployment rate, however, is expected to edge up to 5.1% as strong net interprovincial migration increases the labour force.
- Over the medium term, employment growth is expected to average 2.2% per year. Approximately 144,000 additional jobs are expected between 2001 and 2005.
- The unemployment rate is expected to gradually decline to 4.4% by 2005.

JOB GROWTH CONTINUES

Alberta's Employment (thousands)

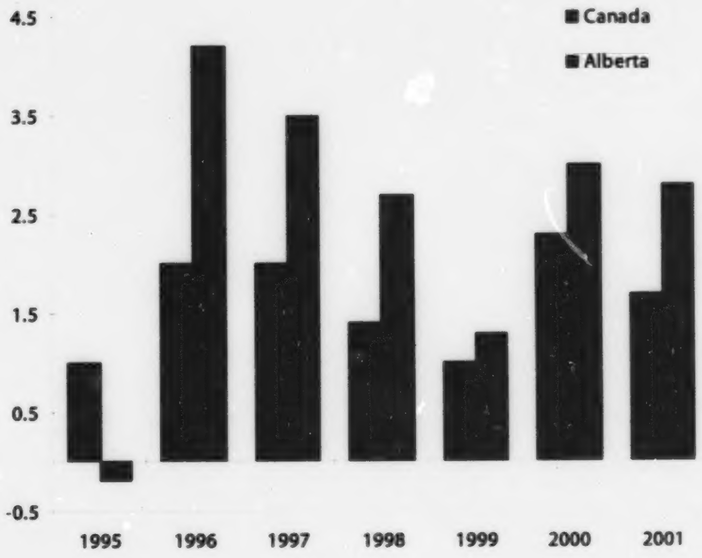


Source: Statistics Canada and Alberta Finance

- Healthy employment growth, and skill shortages in some key sectors boosted wages in Alberta. Led by gains in health care and construction, unionized wage settlements averaged 5.9% in 2001.
- Overall, at 2.9%, Alberta had the highest increase in average weekly earnings among provinces in 2001. Wages are forecast to increase at an average rate of 3.2% per year over the forecast period, 1.3 percentage points higher than inflation.

STRONG WAGE GAINS

(per cent change in average weekly earnings)

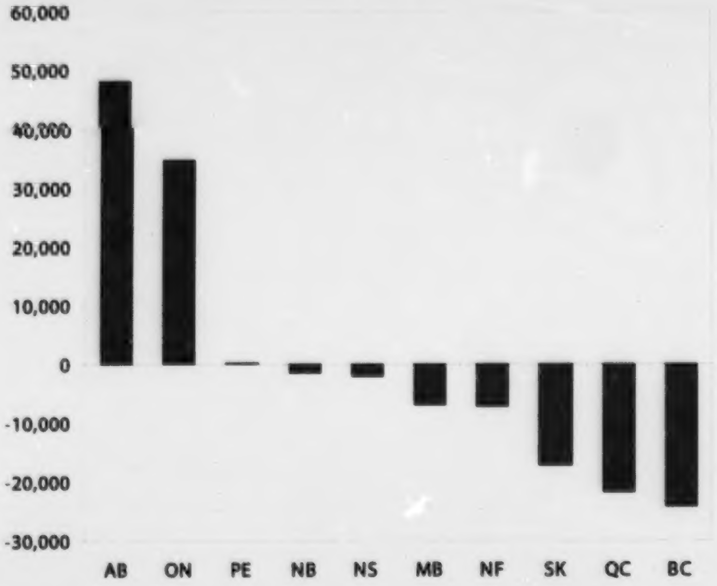


Source: Statistics Canada and Alberta Finance

HIGHEST INTERPROVINCIAL MIGRATION

Net Interprovincial Migration between January 1, 2000 and October 1, 2001

- A strong labour market, healthy wage gains and low provincial tax rates have attracted a growing number of people to the province — 48,279 people have moved to Alberta since the beginning of 2000, more than any other province. Migrants have come mostly from British Columbia, Saskatchewan and Ontario.
- Over the 2003-2005 period interprovincial migration is expected to add about 19,000 people to Alberta's population per year.
- Alberta's population reached 3.064 million in 2001 and is expected to grow by 1.7% per year on average through 2005, among the fastest in Canada.

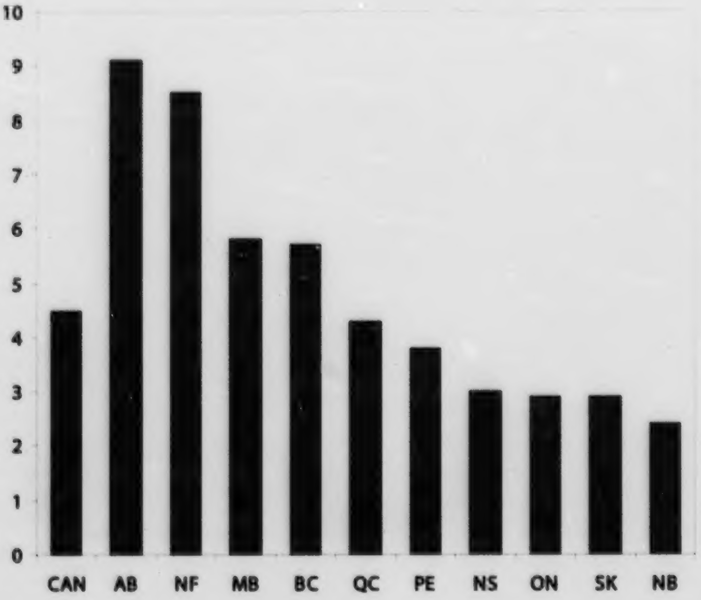


Source: Statistics Canada

ALBERTA LEADS RETAIL SALES IN 2001

(annual per cent change)

- At 9.1%, Alberta led the country in retail sales growth in 2001, not surprising in view of its strong labour market, a 7.9% increase in wages and salaries, and a $1.1 billion provincial personal income tax cut.
- Alberta also has the highest level of retail sales per capita.

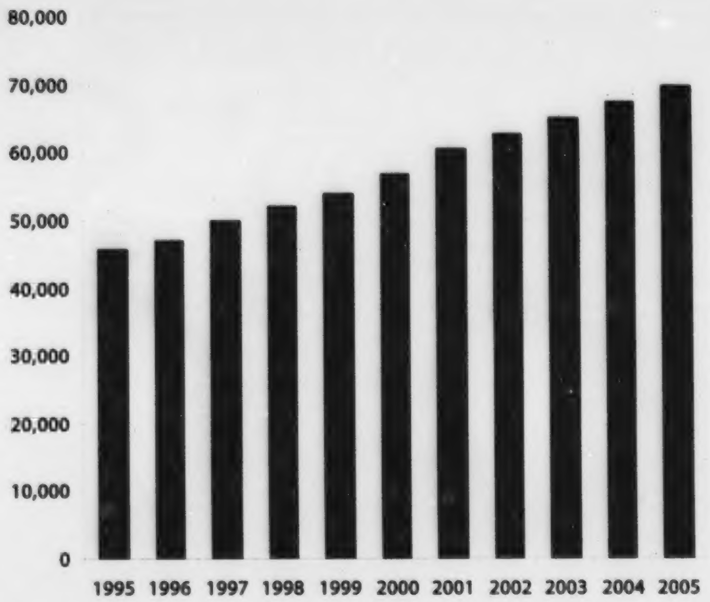


Source: Statistics Canada

- Consumer spending is expected to remain strong in the medium term as Alberta's healthy labour market, low taxes, and solid wage gains continue attracting interprovincial migrants.

REAL CONSUMER SPENDING REMAINS STRONG

(1997 $millions)

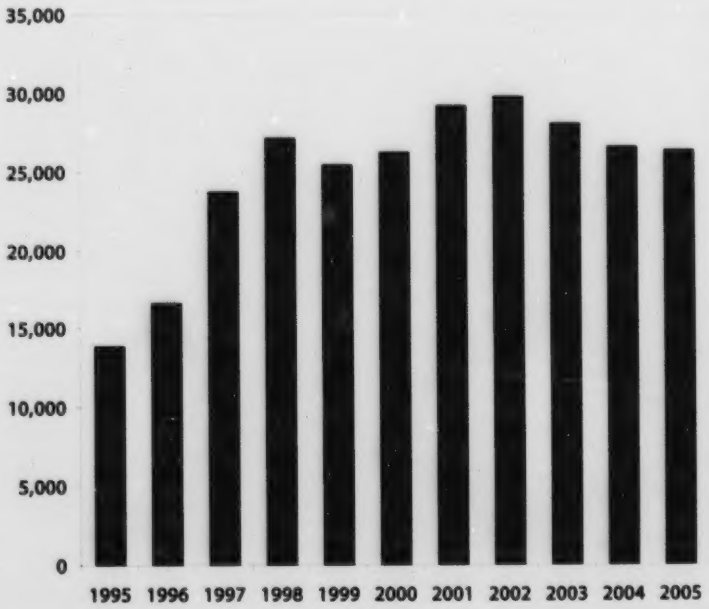


Source: Alberta Finance

- Alberta's total housing starts reached 29,174 in 2001, up 11.1% from 2000. This is the highest level since 1981.
- Over the medium term, housing starts in Alberta are expected to stabilize at around 27,000 per year due to strong interprovincial migration, low interest rates, and a healthy economy.

STRONG HOUSING STARTS

(number of units)

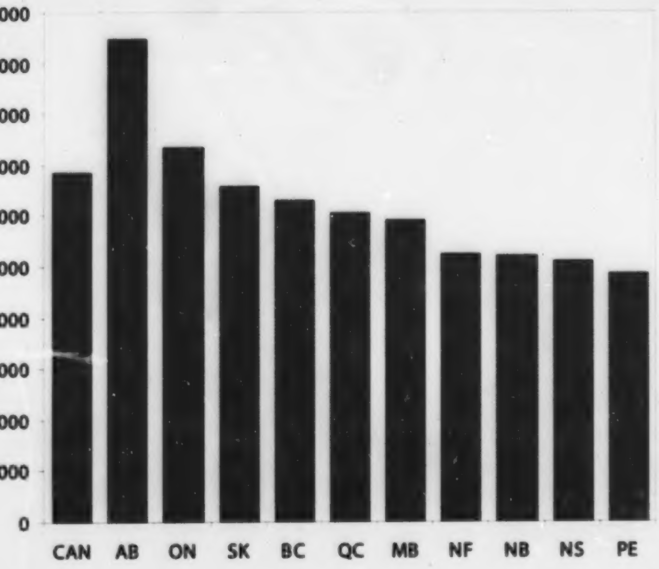


Source: Canada Mortgage and Housing Corporation and Alberta Finance

- Alberta had the highest nominal gross domestic product per capita among the provinces for 2000, the last year for which data are available.
- In 2000, Alberta's GDP per capita was 29% higher than the next highest province, Ontario, and 38% higher than the average for Canada.

ALBERTA HAS HIGHEST NOMINAL GDP PER CAPITA AMONG PROVINCES

(dollars per capita)



Source: Statistics Canada and Alberta Finance

Oil Price Forecast Benchmark

West Texas Intermediate (US$/bbl)

Organization	2002	2003	2004	2005
National Forecasting Agencies				
Conference Board of Canada (Dec/01)	20.95	23.79	24.20	24.85
DRI-WEFA (Dec/01)	22.62	24.64	25.88	26.54
Investment Houses				
CS First Boston (Feb/02)	21.00	18.50	18.50	18.50
Goldman Sachs (Feb/02)	18.00	18.00	18.00	18.00
JP Morgan (Feb/02)	25.80	24.70	23.90	22.90
Lehman Brothers (Feb/02)	19.00	19.00	19.00	19.00
RBC Dominion Securities (Feb/02)	20.00	22.00	22.00	22.00
Industry Analysts				
Ross Smith Energy Group* (Dec/01)	18.00	23.00	23.30	23.70
Peters & Co. Limited (Feb/02)	20.00	22.00	22.00	22.00
High	25.80	24.70	25.88	26.54
Low	18.00	18.00	18.00	18.00
Average	20.60	21.74	21.86	21.94
Alberta Government (calendar year)	**20.00**	**20.00**	**20.00**	**20.00**

* formerly ARC Financial Corporation

Natural Gas Price Forecast Benchmark

Alberta Average Wellhead Gas Price (Cdn$/mcf)

Organization	2002	2003	2004	2005
Ross Smith Energy Group* (Dec/01)	3.45	4.55	4.60	4.65
Gilbert Lausten Jung Associates (Jan/02)	3.95	4.35	4.45	4.50
National Bank Financial (Feb/02)	2.65	3.00	n/a	n/a
Merrill Lynch (Feb/02)	3.67	4.20	3.89	4.04
Peters & Co. Limited (Feb/02)	2.85	3.55	3.55	3.55
RBC Dominion Securities (Feb/02)	3.07	4.17	4.30	4.30
High	3.95	4.55	4.60	4.65
Low	2.65	3.00	3.55	3.55
Average	3.27	3.97	4.16	4.21
Alberta Government (calendar year)	**2.79**	**3.17**	**3.12**	**2.78**

* formerly ARC Financial Corporation

In developing its forecast, the Department of Energy also looks at forecasts from the following forecasters: PIRA, Purvin & Gertz, CGES, CERA, EIA, Petroleum Economics Ltd. and Ziff.

Canadian Short-Term Interest Rate Forecast Benchmark

3-month Canadian Treasury Bills (per cent)

Organization	2002	2003	2004	2005
National Forecasting Agencies				
Conference Board of Canada (Dec/01)	3.17	5.08	5.68	5.45
DRI-WEFA (Feb/02)	2.17	4.44	4.91	4.90
Banks				
Bank of Montreal (Feb/02)	2.19	4.15	n/a	n/a
Canadian Imperial Bank of Commerce (Feb/02)	2.34	3.98	n/a	n/a
Royal Bank (Feb/02)	2.00	n/a	n/a	n/a
Scotiabank (Feb/02)	2.43	3.50	n/a	n/a
Toronto Dominion Bank (Jan/02)	1.94	4.19	n/a	n/a
Investment Dealers				
CIBC World Markets (Jan/02)	1.58	2.55	n/a	n/a
BMO Nesbitt Burns (Feb/02)	2.03	3.17	n/a	n/a
High	3.17	5.08	5.68	5.45
Low	1.58	2.55	4.91	4.90
Average	2.21	3.88	5.30	5.18
Alberta Government (calendar year)	**2.38**	**3.75**	**4.50**	**4.50**

Canadian Long-Term Interest Rate Forecast Benchmark

10-Year Government of Canada Bond Yield (per cent)

Organization	2002	2003	2004	2005
National Forecasting Agencies				
Conference Board of Canada (Dec/01)	5.78	6.65	6.94	6.81
DRI-WEFA (Feb/02)	5.31	5.32	5.55	5.65
Banks				
Bank of Montreal (Feb/02)	5.60	5.98	n/a	n/a
Canadian Imperial Bank of Commerce (Feb/02)	5.73	6.55	n/a	n/a
Royal Bank (Feb/02)	5.65	n/a	n/a	n/a
Scotiabank (Feb/02)	5.60	5.89	n/a	n/a
Toronto Dominion Bank (Jan/02)	5.51	5.88	n/a	n/a
Investment Dealers				
CIBC World Markets (Jan/02)	5.21	5.68	n/a	n/a
BMO Nesbitt Burns (Feb/02)	5.38	5.66	n/a	n/a
High	5.78	6.65	6.94	6.81
Low	5.21	5.32	5.55	5.65
Average	5.53	5.95	6.25	6.23
Alberta Government (calendar year)	**5.60**	**6.00**	**6.00**	**6.00**

Canada/United States Exchange Rate Forecast Benchmark

(US¢/Cdn$)

Organization	2002	2003	2004	2005
National Forecasting Agencies				
Conference Board of Canada (Dec/01)	64.1	65.5	66.4	66.5
DRI-WEFA (Feb/02)	65.4	68.0	69.0	69.5
Banks				
Bank of Montreal (Feb/02)	64.0	65.6	n/a	n/a
Canadian Imperial Bank of Commerce (Feb/02)	65.1	67.3	n/a	n/a
Royal Bank (Feb/02)	63.9	66.7	n/a	n/a
Scotiabank (Feb/02)	62.9	65.2	n/a	n/a
Toronto Dominion Bank (Jan/02)	62.4	65.9	n/a	n/a
Investment Dealers				
CIBC World Markets (Jan/02)	63.9	66.3	n/a	n/a
BMO Nesbitt Burns (Feb/02)	63.2	64.9	n/a	n/a
High	65.4	68.0	69.0	69.5
Low	62.4	64.9	66.4	66.5
Average	63.9	66.2	67.7	68.0
Alberta Government (calendar year)	**63.8**	**65.8**	**67.8**	**69.8**

Alberta Real Gross Domestic Product Forecast Benchmark

(per cent change)

Organization	2001	2002	2003	2004	2005
National Forecasting Agencies					
Conference Board of Canada (Jan/02)	3.1	1.7	3.7	4.6	3.6
DRI-WEFA (Jan/02)	2.0	2.4	4.5	4.1	3.6
Banks					
Bank of Montreal (Oct/01)	4.0	3.5	4.5	n/a	n/a
Canadian Imperial Bank of Commerce (Feb/02)	4.0	3.5	n/a	n/a	n/a
Royal Bank (Jan/02)	3.6	3.0	4.9	n/a	n/a
Scotiabank (Jan/02)	3.2	2.4	4.2	n/a	n/a
Toronto Dominion Bank (Dec /01)	2.7	2.0	3.4	n/a	n/a
Other					
Canada Mortgage and Housing Corporation (Feb/02)	3.9	2.5	3.3	n/a	n/a
BMO Nesbitt Burns (Feb/02)	3.0	2.2	4.1	n/a	n/a
High	4.0	3.5	4.9	4.6	3.6
Low	2.0	1.7	3.3	4.1	3.6
Average	3.3	2.6	4.4	4.4	3.6
Alberta Government (calendar year)	**4.5**	**2.5**	**3.9**	**3.7**	**3.4**

Tracking the Forecasts of Oil Prices

West Texas Intermediate (US$/bbl)

Organization	How Did They Do 2001[a]	What They Were Saying About 2002 in Budget 2001	What They Are Saying About 2002 in Budget 2002
Actual	**25.93**		
Ross Smith Energy Group*	+0.07	23.00	18.00
Deutsche Bank	-0.43	23.50	n/a
Conference Board of Canada	+0.99	25.18	20.95
CS First Boston	-2.93	18.50	21.00
Goldman Sachs	-2.43	22.00	18.00
JP Morgan	+1.77	22.00	25.80
Lehman Brothers	-0.43	21.00	19.00
Peters & Co. Limited	-0.93	25.00	20.00
RBC Dominion Securities	-0.93	25.00	20.00
Standard and Poor's DRI	+0.60	24.40	--
The WEFA Group**	+0.52	24.63	--
DRI/McGraw-Hill**	--	--	22.62
Average	-0.38	23.11	20.60
Alberta Government (calendar year)	**-0.73**	**21.25**	**20.00**

* formerly ARC Financial Corporation

** now DRI-WEFA

[a] This compares an organization's forecast for 2001 at the time of Budget 2001 to what actually happened. A minus sign indicates an underestimate and a plus sign indicates an overestimate.

Tracking the Forecasts of Natural Gas Prices

Alberta Average Wellhead Gas Price (Cdn$/mcf)

Organization	How Did They Do 2001[a]	What They Were Saying About 2002 in Budget 2001	What They Are Saying About 2002 in Budget 2002
Actual	**5.40**		
Ross Smith Energy Group*	+1.00	5.35	3.45
Gilbert Lausten Jung Associates	+2.50	5.90	3.95
National Bank Financial	-0.20	3.90	2.65
Merrill Lynch	+0.60	5.00	3.67
Peters & Co. Limited	-0.40	5.00	2.85
RBC Dominion Securities	+0.10	4.80	3.07
Average	+0.60	4.99	3.27
Alberta Government (calendar year)	**+0.82**	**3.89**	**2.79**

* formerly ARC Financial Corporation

[a] This compares an organization's forecast for 2001 at the time of Budget 2001 to what actually happened. A minus sign indicates an underestimate and a plus sign indicates an overestimate.

Announced Major Projects Over $100 Million

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($millions)	Timing
OIL AND GAS				
Albian Sands Energy Inc.	RM of Wood Buffalo (Muskeg River)	Oil Sands Mining/Extraction Plant	2,200	1999-2002
Canadian Natural Resources Ltd.	MD of Bonnyville (Cold Lake and Beartrap, Charlotte and Pelican Lakes)	In situ Bitumen Production	800	1997-2002
	Lakeland County (Primrose/Wolf Lake)	In situ Bitumen Production Expansion Stage 1	130	2001-2004
Conoco Canada Resources (formerly Gulf Canada Resources)/Fina Resources Inc.	RM of Wood Buffalo (Surmont)	SAGD Bitumen Commercial Project - Phase 2 and 3	500	2003-2010
Imperial Oil	Strathcona County	Strathcona Refinery Upgrades	500	2001-2005
Imperial Oil Resources	MD of Bonnyville (near Cold Lake)	Heavy Oil Plant Expansion "Mahkeses"	650	2001-2002
Japan Canada Oil Sands Co. Ltd. (JACOS)	RM of Wood Buffalo (Hangingstone)	SAGD Bitumen Production - Phase 3	130	2001-2002
PanCanadian Petroleum	RM of Wood Buffalo (Christina Lake)	SAGD Bitumen Production	400	2000-2009
Petro-Canada Oil and Gas	RM of Wood Buffalo (MacKay River)	SAGD Bitumen Production	290	2001-2002
	Strathcona County	Strathcona Refinery: Gasoline De-sulpherization - Phase 1	130	2001-2003
Petro-Canada Oil and Gas/ Nexen Inc.	RM of Wood Buffalo (S of Fort McMurray)	"Meadow Creek" SAGD Bitumen Production	645	2005-2006
Petrovera Resources Ltd.	Lindbergh/Elk Point/ Frog Lake/Marwayne	In situ Bitumen Production	1,200	2000-2010
Ranger Oil Ltd.	MD of Bonnyville (Lindbergh/Wolf Lake/ Elk Point/Cold Lake)	In situ Bitumen Production Expansion	225	1996-2003
Shell Canada Ltd.	Strathcona County	Scotford Refinery Modifications	450	2000-2002
Shell Canada/Western Oil Sands/Chevron Canada Res.	Strathcona County	Bitumen Upgrader	1,700	2000-2002

Announced Major Projects Over $100 Million

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($millions)	Timing
OIL AND GAS (continued)				
Suncor Energy Inc.	RM of Wood Buffalo (Fort McMurray)	Production Enhancement	127	1999-2002
	Lakeland County (Primrose/Burnt Lake)	In situ Bitumen Facilities - Phase 2	100	2001-2002
	RM of Wood Buffalo	"Firebag" In situ Bitumen Recovery Project - Phase 1	1,000	2001-2005
Syncrude Canada Ltd.	RM of Wood Buffalo (Fort McMurray)	Continuous Improvement Program	1,500	1997-2007
	RM of Wood Buffalo (Fort McMurray)	Phase 3: Upgrader Expansion Phase 1/ Aurora Mine Train 2	4,100	2001-2004
Union Pacific Resources Group Inc.	Cold Lake/Provost/Lindbergh	In situ Bitumen Production	400	2001-2003
PIPELINES				
Cold Lake Pipeline Limited Partnership	Foster Creek to Bonnyville area to Hardisty	Expansion of Cold Lake Pipeline System	143	2002-2004
Corridor Pipeline Ltd. (Trans Mountain Pipeline)	RM of Wood Buffalo (Muskeg River) to Strathcona County	"Corridor" Bitumen Pipeline	700	2000-2003
Nova Gas Transmission Ltd.	across Alberta	Pipeline Capacity Addition	1,000	1999-2003
MANUFACTURING				
Shell Canada Ltd.	Strathcona County	Hydrogen Manufacturing Plant for Scotford Upgrader	180	2000-2002
COMMERCIAL, RETAIL AND REAL ESTATE CONSTRUCTION				
Cameron Corporation/ Grosvenor International Canada Ltd.	Edmonton	"South Edmonton Common" Retail Complex	250	1997-2005
East Village Partnership Group	Calgary	Re-development of East Village	1,500	2001-2010
Heartland Development Corp.	Airdrie	Heartland Business Centre	500	2001-2010
Shivam Developments	Strathcona County (Sherwood Park)	Auto Mall and Shopping Centre	150	2002-2006

Announced Major Projects Over $100 Million

Announced or Under Construction

Company Name	Location	Type of Project	Cost ($millions)	Timing
OTHER				
Bell Intrigna/Bell Nexxia/Axia NetMedia & Partners	Across Alberta	Fibre-optic Communications Grid	300	2001-2003
Calgary Airport Authority	Calgary	Airport Improvements	800	1998-2007
Canadian National Railways	Edmonton to Ontario	Railway Upgrade	100	1997-2002
Stone Creek Properties	Canmore	Silver Tip Hotel/Resort Village	270	1995-2015
Various Irrigation Districts	Across Southern Alberta	Irrigation Systems/Rehabilitation	600	1997-2006
POWER PLANTS				
AES Calgary Inc.	MD of Rocky View (east of Calgary)	Natural Gas Fired Power Station (525 MW)	450	2002-2004
Atco Power/Shell Canada Ltd./ Air Products Canada Ltd.	Strathcona County	Co-generation Facility (150 MW)	140	2000-2002
Calpine Corp.	Calgary	Calgary Energy Centre Gas-Fired Power Plant (250MW)	220	2001-2003
TransAlta Utilities	Parkland County (Lake Wabamun)	Expansion of Keephills Coal-fired Generating Plant (900 MW)	1,600	2002-2005
	Parkland County	Efficiency Update at Sundance Thermal Plant (218 MW)	200	2001-2002
TransCanada PipeLines Ltd./ Petro-Canada	RM of Wood Buffalo (near Fort McMurray)	MacKay River Co-Gen Project (165MW)	135	2001-2003
TOTAL			**26,415**	

Alberta Advantage

BUDGET 2002

THE RIGHT DECISIONS FOR CHALLENGING TIMES

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Alberta Advantage

The Alberta Advantage means greater opportunities for Albertans and Alberta businesses ...

- a strong and vibrant economy
- a young, skilled and productive workforce
- a strong science and technology culture
- a highly entrepreneurial and competitive business community
- the lowest overall tax level of any province in Canada, and no sales tax
- an efficient and modern infrastructure
- an abundance of natural resources
- a rich, sustainable environment and an outstanding quality of life
- a government committed to less regulation
- a fiscally responsible government

The appeal of low taxes, high employment and a growing economy continues to attract thousands of people to Alberta. This document is a detailed look at why Alberta is "the place to be." Highlighted are some key elements of the Alberta Advantage: the economy, the people, taxes, operating costs, quality of life and sound financial management.

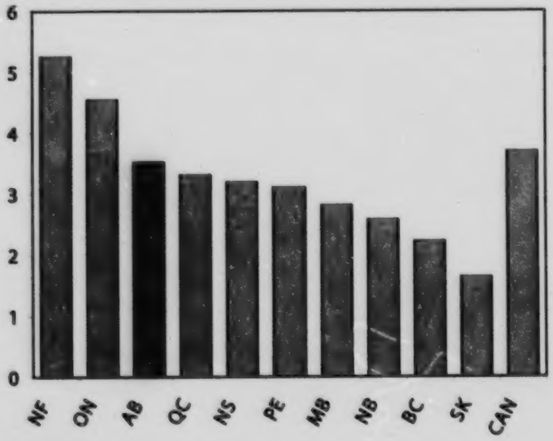
The Economy

STRONG AND DIVERSIFIED

Alberta's economic climate remains strong despite fluctuating global cycles. An abundance of natural advantages has been the foundation of our flourishing economy. Our positive investment climate has allowed Alberta businesses to compete successfully around the world. Our increasingly diversified economy has translated into a healthy job performance, even when commodity prices have been unfavourable.

REAL ECONOMIC GROWTH

1997-2001 Average Annual Growth in GDP (per cent)*

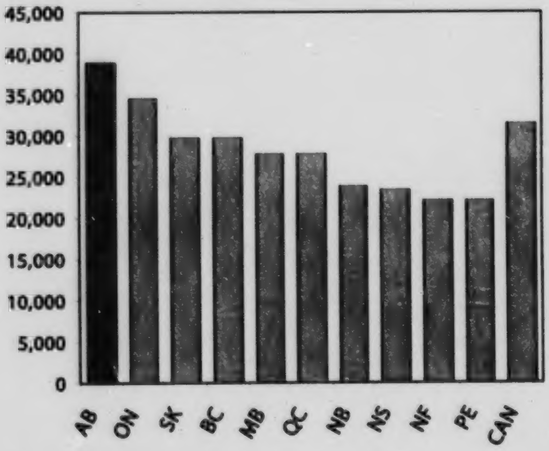


* 2001 GDP estimated for provinces.
Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Alberta's economic growth rate was the third highest in Canada over the past five years.
- In 2001, Alberta's real output grew by an estimated 4.5%, the highest among the provinces.

REAL GDP PER CAPITA

1997-2001 Annual Average (dollars per capita)*

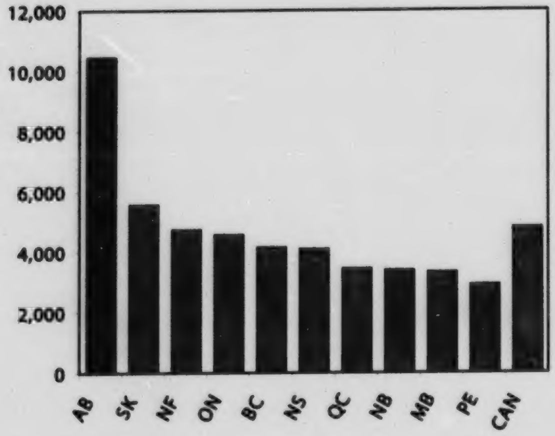


* 2001 GDP estimated for provinces.
Source: Statistics Canada, Alberta Finance and the Conference Board of Canada

- Alberta has the highest real gross domestic product per capita among the provinces.
- Since 1997, Alberta's real gross domestic product per capita has averaged 12% higher than second place Ontario.

INVESTMENT PER CAPITA

1997-2001 Annual Average (dollars per capita)*



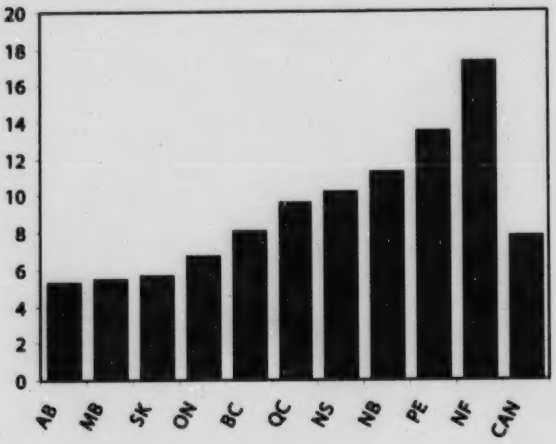
* 2001 preliminary estimate

Source: Statistics Canada

- Alberta continues to lead, as it has for decades, all provinces in total private sector investment per capita.
- Over the past five years, Alberta's investment per capita has been nearly double that of the next highest province, Saskatchewan.

UNEMPLOYMENT RATE

1997-2001 Annual Average (per cent)

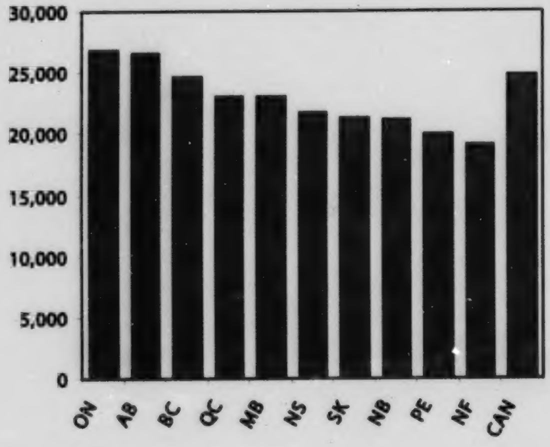


Source: Statistics Canada

- Over the past five years, Alberta's average unemployment rate of 5.3% was the lowest among the provinces and well below the national average of 7.8%.
- In 2001, Alberta's average unemployment rate of 4.6% was the lowest in Canada.

PERSONAL INCOME

1996-2000 Annual Average (dollars per capita)

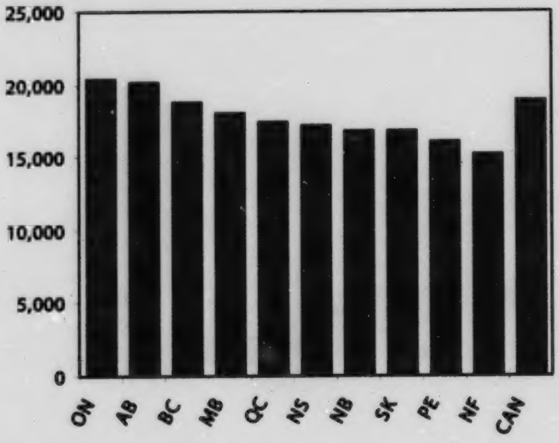


Source: Statistics Canada

- Over the past five years, Albertans have enjoyed the second highest personal income per capita, behind only Ontario.
- In 2000, Alberta had the second highest personal income per capita among provinces, $366 below Ontario.

PERSONAL DISPOSABLE INCOME

1996-2000 Annual Average (dollars per capita)*



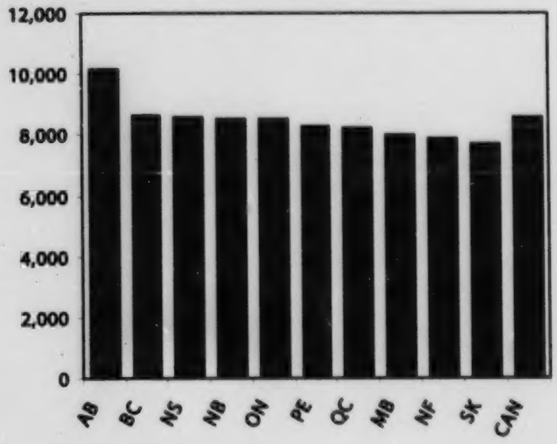
* Personal income less direct taxes.

Source: Statistics Canada

- Over the past five years, Alberta has ranked second highest in personal disposable income per capita.
- In 2000, Alberta had the second highest personal disposable income per capita among provinces, $303 below Ontario.

RETAIL SALES PER CAPITA

1997-2001 Annual Average (dollars per capita)

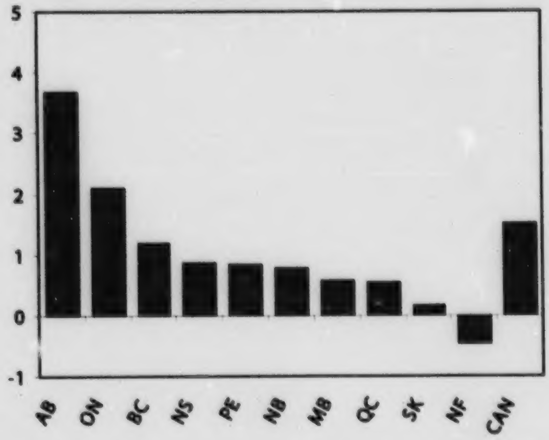


Source: Statistics Canada

- Alberta continues to lead all provinces in retail sales per capita.

BUSINESS GROWTH

1997-2001 Annual Average (per cent growth in # of firms)*



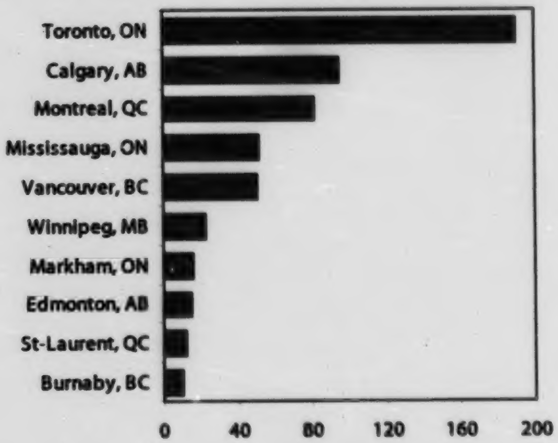
* Businesses include all incorporated and unincorporated firms, except self-employed and single person firms.

Source: Statistics Canada

- Over the last five years, Alberta's average business growth has been the fastest of any province in Canada.
- In 2001, the number of businesses in Alberta increased by 3.0%. The only other province to experience positive growth last year was Ontario, at 1.3%.

CORPORATE HEADQUARTERS

Top Ten Head Office Cities, 2000 (number of head offices)



Source: Financial Post and Calgary Business Information Centre

- Calgary has the second highest number of head offices of any city in Canada.
- Toronto has approximately 5 times the population of Calgary, so on a per capita basis, Calgary exceeds any other city by far.

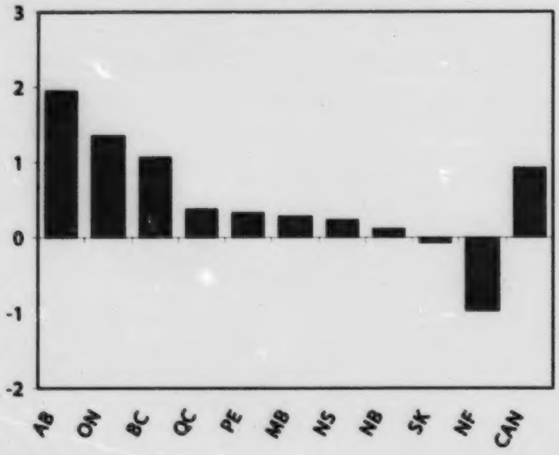
The People

YOUNG , HIGHLY TRAINED AND PRODUCTIVE

In today's knowledge-based economy, the people of Alberta are our province's most important natural resource. Albertans are highly skilled and talented, and among the most educated in the world. It is no wonder that our economy continues to thrive and grow.

POPULATION

1997-2001 Average Annual Growth (per cent)

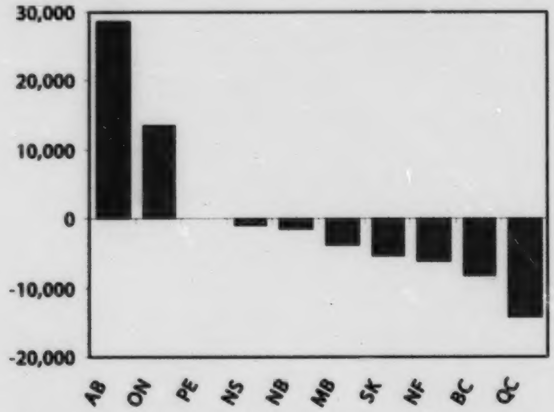


Source: Statistics Canada

- Over the past five years, Alberta has had the fastest growing population among the provinces.
- In 2001, Alberta's 1.8% growth in population also led the provinces.

NET INTERPROVINCIAL MIGRATION

1997-2001 Annual Average (net number of interprovincial migrants)*



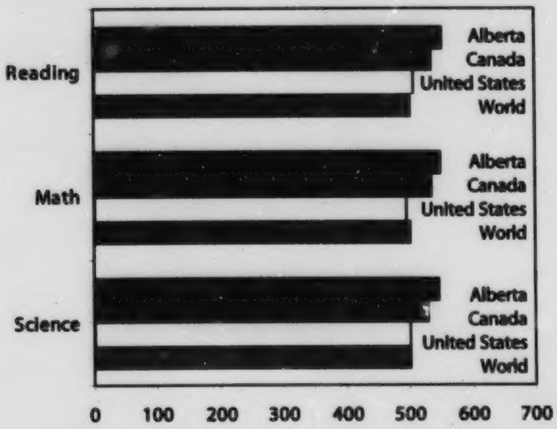
* July 1, 1996 to June 30, 2001

Source: Statistics Canada

- Alberta has the highest number of interprovincial migrants in Canada.
- From July 2000 to June 2001, a net of 25,748 migrants came to Alberta from other provinces, almost 8,000 more than second place Ontario.

PERFORMANCE OF STUDENTS AGED 15

2000 Results (Scaled to Average Score of 500)

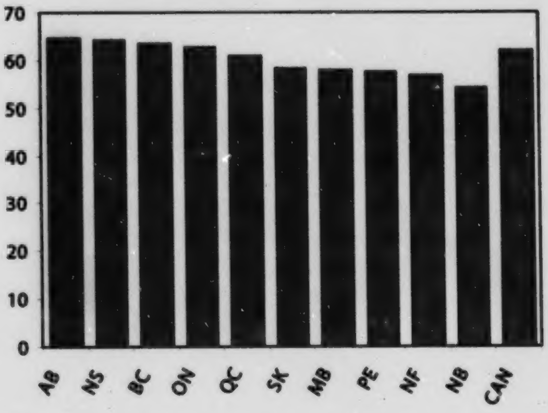


Source: Organisation for Economic Co-operation and Development (OECD)

- The performance of students aged 15 in Alberta was significantly above the Canadian average, the United States, and the international average in reading, mathematics and science.
- Out of 32 countries and the provinces of Canada, Alberta scored the highest in reading.

POPULATION AGED 25-54 WITH POST-SECONDARY EDUCATION

1996-2000 Annual Average (per cent of total population)

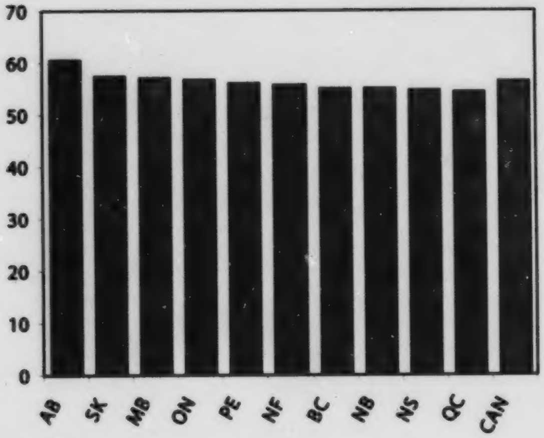


Source: Statistics Canada

- Alberta has the best educated workforce in Canada.
- Approximately 65% of Alberta's population aged 25 to 54 has post-secondary education.

SHARE OF POPULATION UNDER 40

1997-2001 Annual Average (per cent of total population)

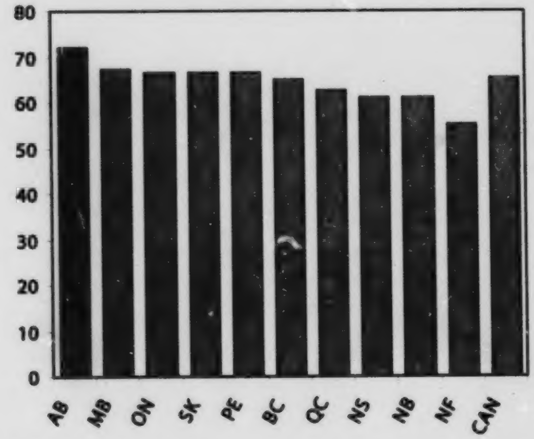


Source: Statistics Canada

- Alberta has the youngest population among the provinces.
- About 61% of Albertans are under the age of 40.

PARTICIPATION RATE

1997-2001 Annual Average (per cent)*



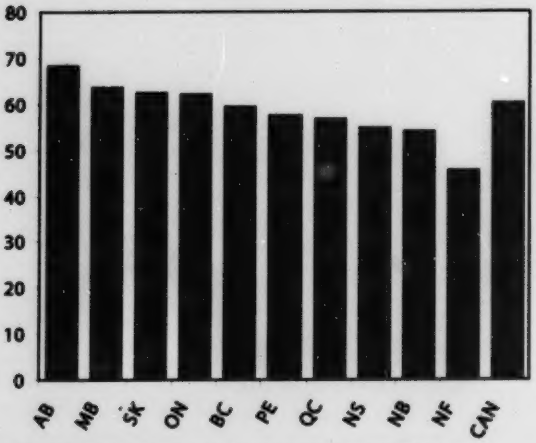
* The participation rate is the total of those employed and looking for work aged 15 and over, divided by the population aged 15 and over.

Source: Statistics Canada

- Alberta has the highest labour force participation rate in Canada, 4.9 percentage points higher than second place Manitoba.

EMPLOYMENT TO POPULATION RATIO

1997-2001 Annual Average (per cent)*



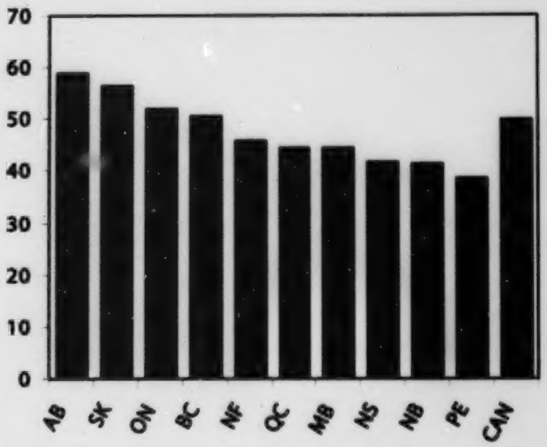
* The employment/population ratio is the total of those employed divided by the population aged 15 and over.

Source: Statistics Canada

- Compared to other provinces, more Albertans are working relative to the size of our working age population, 4.8 percentage points above the second place province, Manitoba.

LABOUR PRODUCTIVITY

1997-2001 Annual Average ($ of real GDP per hour worked)*



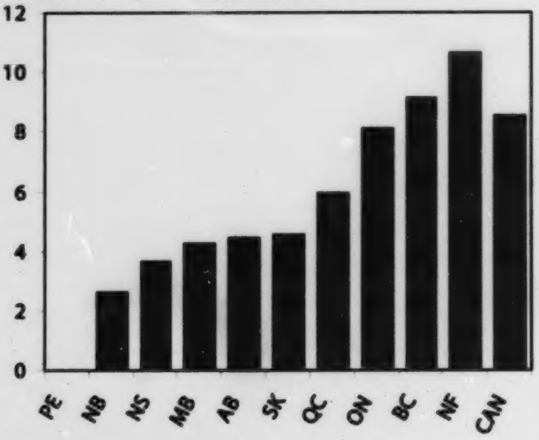
* 2001 GDP estimated for provinces.

Source: Statistics Canada, Alberta Finance and the Conference Board of Canada.

- Compared with the other provinces, Albertans are the most productive, as measured by real GDP dollars produced per hour worked.

LABOUR RECORD

1997-2001 Annual Average (person days lost due to disputes/10,000 person days worked)*



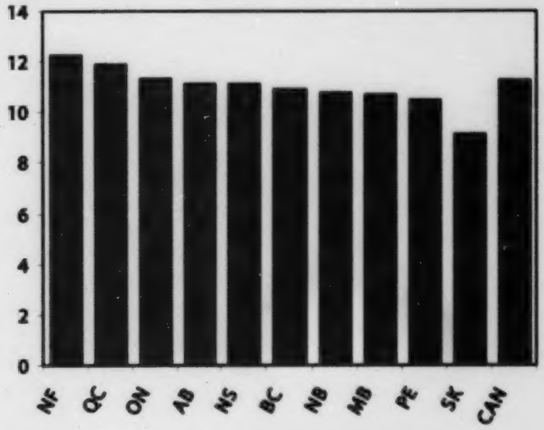
* January to September 2001 preliminary rate.

Source: Statistics Canada and Human Resources Development Canada

- In terms of person days lost due to labour disputes, Alberta's record is better than that of Ontario, Quebec, and most other Western provinces.

RESEARCH & DEVELOPMENT EMPLOYMENT

1997-2001 Annual Average (per cent of employed labour force)*



* Occupations in natural and applied sciences, health, and related occupations predominantly involved in R&D activities.

Source: Statistics Canada

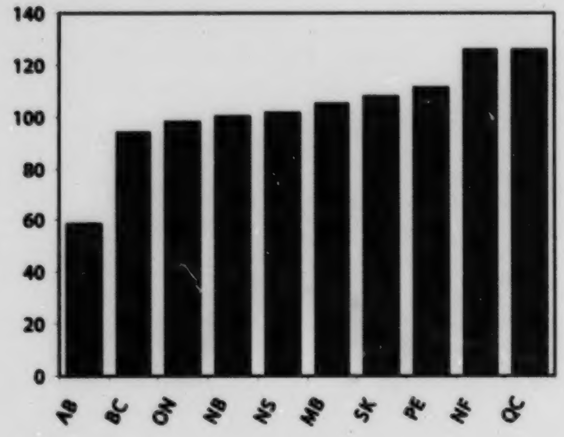
- The percentage of Alberta's labour force employed in occupations predominantly involved in research and development (R&D) activities ranks fourth among the provinces, and first in Western Canada.
- In 2001, Alberta had a record 11.7% of its workforce involved in R&D activities.

The Lowest Tax Load

LEAVING MORE DOLLARS IN THE POCKETS OF ALBERTANS

Alberta has the lowest overall taxes in Canada. We are the only province with a single-rate personal income tax system and the only province that does not have a retail sales tax. This government believes that Albertans are best able to determine how their money is spent.

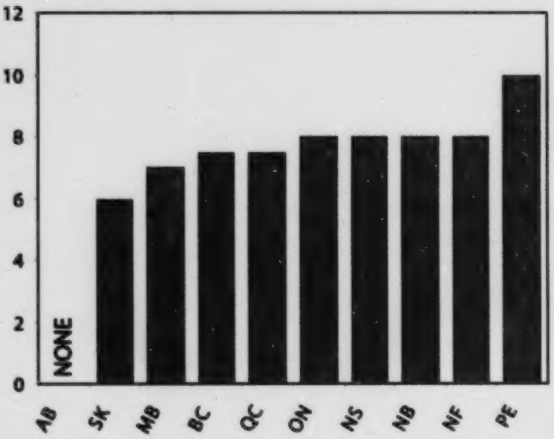
TOTAL PROVINCIAL & MUNICIPAL TAX LOAD
2001-02 (per cent of the Canadian average)*



* 2001-02, 3rd estimate.
Source: Finance Canada

- Alberta has by far the lowest combined provincial and municipal tax burden among the provinces, at 59% of the national average.

RETAIL SALES TAX RATES
2002 (per cent)*

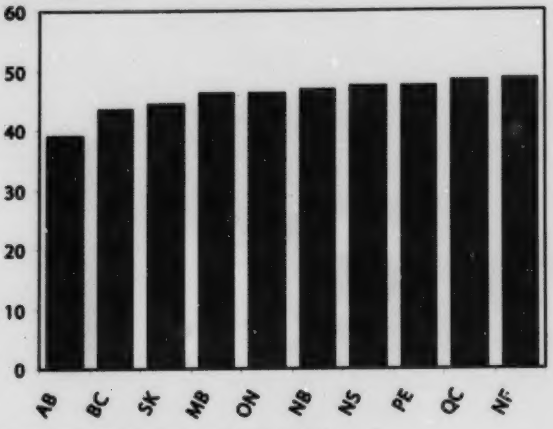


* Other provinces' rates known as of February 26, 2002.
Source: Alberta Finance

- Alberta has no provincial retail sales tax.

COMBINED TOP MARGINAL PERSONAL INCOME TAX RATES

2002 (per cent)*



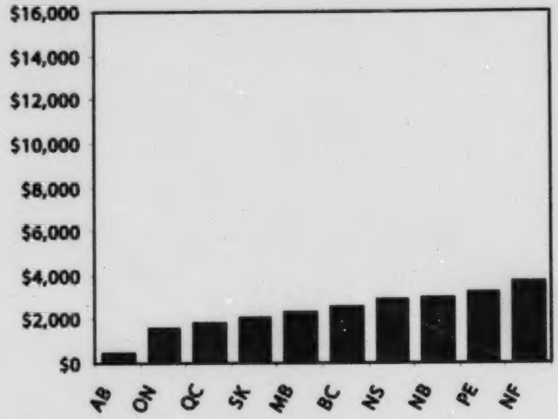
* Other provinces' rates known as of February 26, 2002.
Source: Alberta Finance

- Alberta has the lowest top marginal personal income tax rate among the provinces at 39% - 29% federal and 10% provincial.
- In Alberta, top income earners keep 61% of their last dollar earned.

FAMILY EARNING $30,000

Taxes and Health Care Insurance Premiums

2002 (One-income family with two children)*



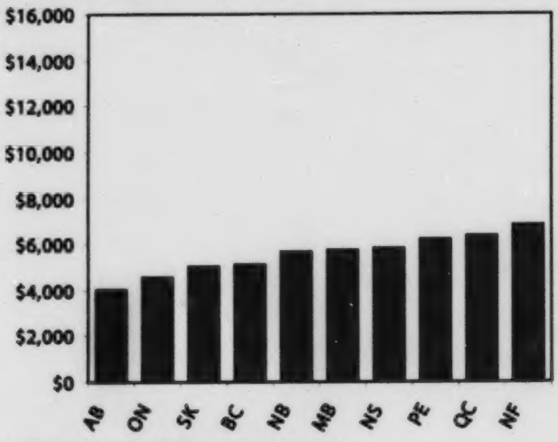
* Other provinces' rates known as of February 26, 2002.
Source: Alberta Finance

- This graph, and the following two, compare provincial income, sales, payroll, fuel and tobacco taxes, and health care insurance premiums payable by a family.
- In Alberta, a typical one-income family earning $30,000 pays only $482, approximately 81% less in combined taxes and health care insurance premiums than the average of the other provinces.

FAMILY EARNING $60,000

Taxes and Health Care Insurance Premiums

2002 (Two-income family with two children)*



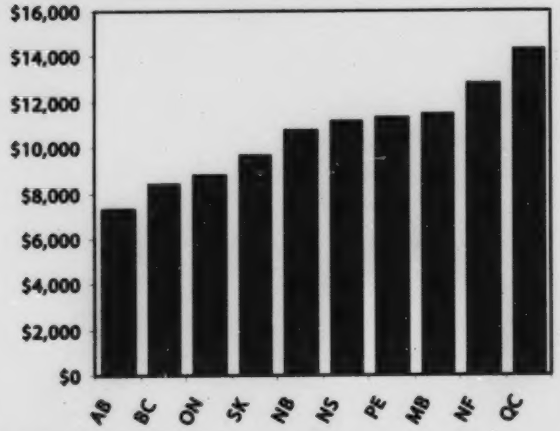
* Other provinces' rates known as of February 26, 2002.
Source: Alberta Finance

- In Alberta, a typical two-income family earning $60,000 pays only $4,029, approximately 30% less in combined taxes and health care insurance premiums than the average of the other provinces.

FAMILY EARNING $100,000

Taxes and Health Care Insurance Premiums

2002 (Two-income family with two children)*

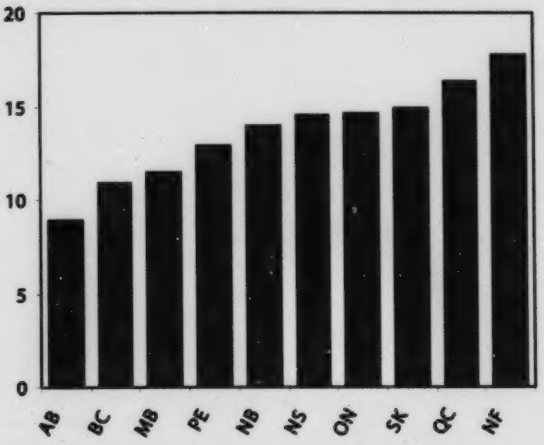


* Other provinces' rates known as of February 26, 2002.
Source: Alberta Finance

- In Alberta, a typical two-income family earning $100,000 pays only $7,334, approximately 33% less in combined taxes and health care insurance premiums than the average of the other provinces.

GASOLINE TAX RATES

2002 (cents per litre)*



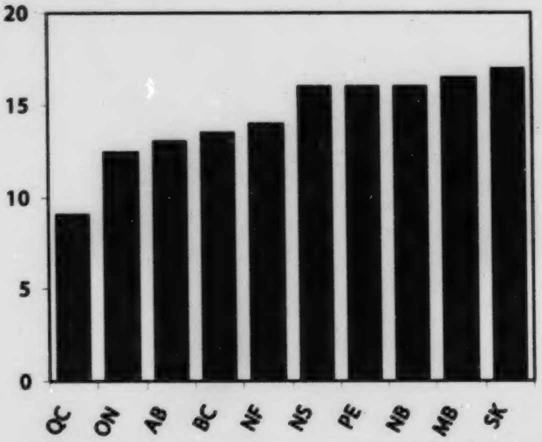
* Other provinces' rates known as of February 26, 2002. For NB, NS, QC and NF, provincial sales tax is levied on top of fuel tax.

Source: Alberta Finance

- Alberta has the lowest gasoline tax rate among the provinces, 2 cents per litre below British Columbia, the second lowest province, and over 8.8 cents per litre below Newfoundland.

PROVINCIAL CORPORATE INCOME TAX RATES

2002 (per cent)*



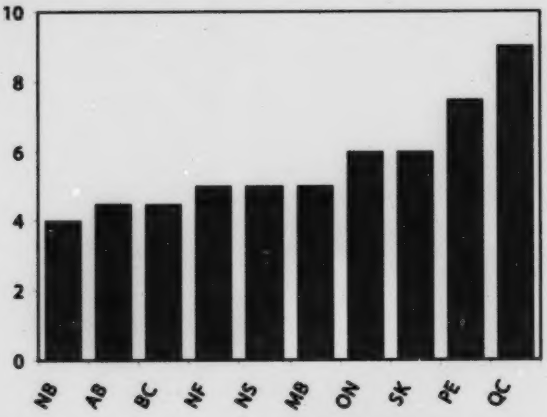
* Alberta's rate as of April 1, 2002. Other provinces' rates known as of February 26, 2002. SK, ON, PE and NF reduce their corporate income tax rates for manufacturing and processing industries.

Source: Alberta Finance

- As of April 1, 2002, Alberta has the third lowest general corporate income tax rate.
- Alberta's general corporate tax rate will be reduced to 8%, as affordable.
- Alberta businesses also benefit because Alberta has no retail sales tax, no capital tax and no payroll tax.

PROVINCIAL SMALL BUSINESS CORPORATE INCOME TAX RATES

2002 (per cent)*



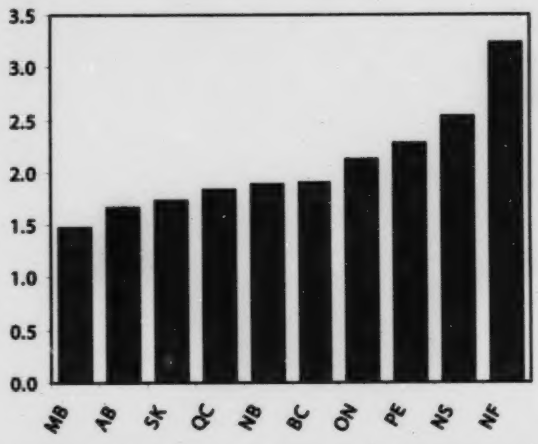
* Alberta's rate as of April 1, 2002. Other provinces' rates known as of February 26, 2002.

Source: Alberta Finance

- As of April 1, 2002, Alberta's small business corporate income tax rate of 4.5% is tied for the second lowest in Canada.
- Alberta's small business tax rate will be reduced to 3% by April 1, 2004, as affordable.

WORKERS' COMPENSATION PREMIUMS

2002 (dollars per $100 of gross payroll)*



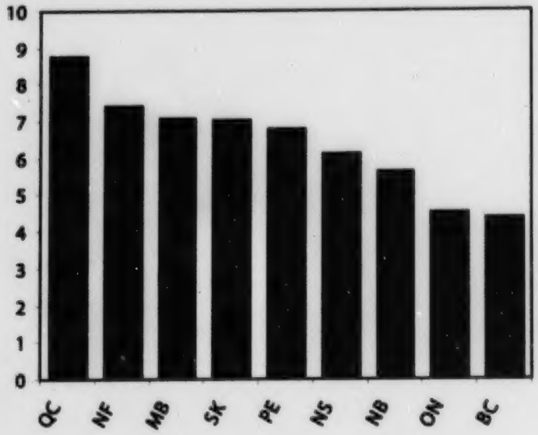
* Provisional average assessment rates. Industry composition and administrative costs vary across provinces in rate calculations.

Source: Association of Workers' Compensation Boards of Canada

- Alberta's average WCB premium rate is the second lowest among the provinces.
- Alberta, British Columbia, Saskatchewan, Manitoba and New Brunswick have no unfunded WCB liabilities.

ALBERTA'S TAX ADVANTAGE

2002 (billions of dollars)*



* Provinces' rates known as of February 26, 2002.
Source: Alberta Finance

- This graph shows the total additional provincial taxes that individuals and businesses would pay if Alberta had the same personal and corporate taxes as other provinces.
- Albertans would pay over $4.3 billion more if we had to pay British Columbia's taxes, and over $8.8 billion more if we had to pay Quebec's taxes.

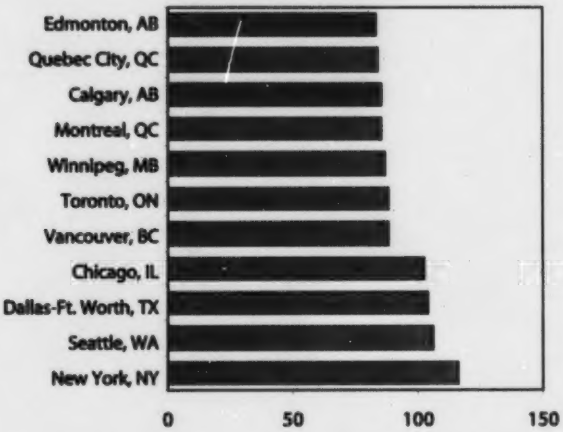
Low Operating Costs

FOR BUSINESSES AND HOUSEHOLDS

When it comes to cost of living, the province of Alberta is an attractive place to live and do business. Costs are more than competitive with the rest of Canada and the United States. In addition, our low taxes, skilled workforce and well-established infrastructure provide further advantages for Alberta industries.

BUSINESS COSTS INDEX

2001 (US=100.0)*

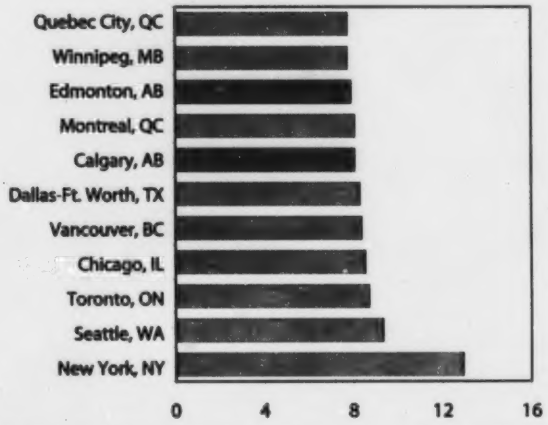


* Based on 27 cost components. Above comparisons of Canadian cities are only those with a population of 500,000 and greater.
Source: KPMG

- Based on KPMG's study of business costs in North America, Europe and Japan, Edmonton is the least expensive city in which to do business out of 86 major cities in nine countries.
- A business that established and operated for 10 years in Edmonton would have an overall 17% cost advantage over the average U.S. city.

INITIAL INVESTMENT COSTS

2001 (US$ millions)*

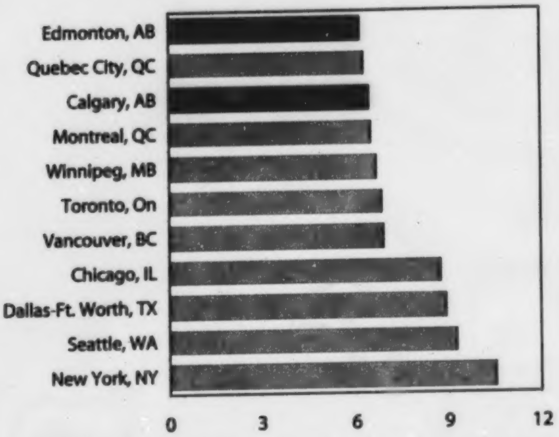


* Above comparisons of Canadian cities are only those with a population of 500,000 and greater.
Source: KPMG

- Edmonton and Calgary are ranked in the top five among major cities for lowest initial investment costs, which consist of land acquisition and building construction costs.

ANNUAL LOCATION-SENSITIVE COSTS

2001 (US$ millions)*



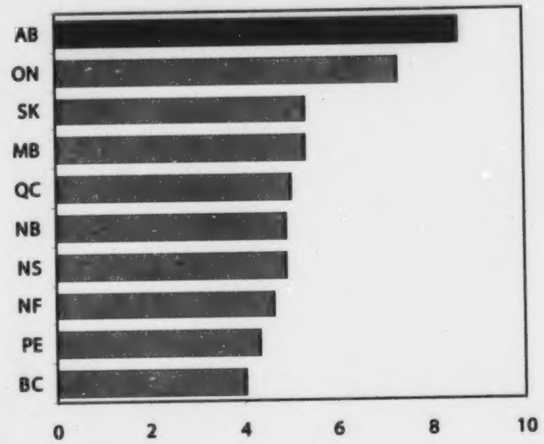
* 10-year average. Above comparisons of Canadian cities are only those with a population of 500,000 and greater.

Source: KPMG

- Edmonton and Calgary are ranked first and third, respectively, for having the lowest overall annual location-sensitive costs.
- Location-sensitive costs include labour, lease, electricity, transport and telecommunications costs, interest, depreciation, and taxes.

INVESTMENT CLIMATE

2001 (scale from 0 to 10)

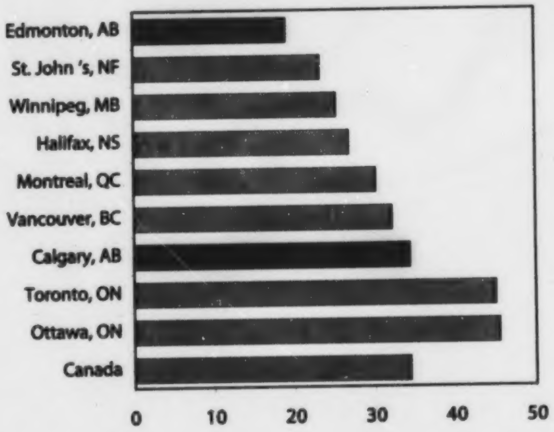


Source: Fraser Institute

- Based on the Fraser Institute's 2001 Survey of Senior Investment Managers, Alberta emerged with the best investment climate in the country.
- Alberta led the nation with 97.5% of respondents indicating that the province maintains policies necessary for fostering globally-competitive companies.

OFFICE RENTAL RATES

2001 (dollars per square foot)*



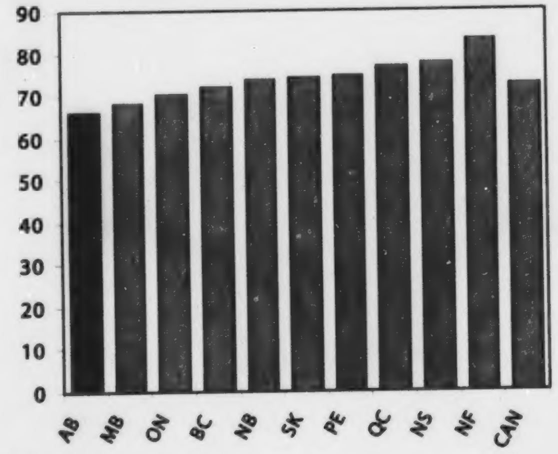
* Total occupancy costs include average net rental rates, taxes and operating costs for typical "Central Class A" offices.

Source: Royal LePage

- Edmonton has the lowest overall office rents among major Canadian cities.

GASOLINE PRICES

2001 Average (cents per litre)*



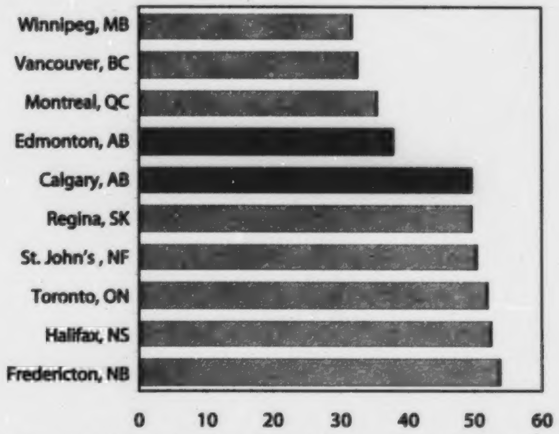
* Regular unleaded gasoline, January to October only.

Source: Statistics Canada

- Alberta continues to have the lowest gasoline prices in Canada, ranging from approximately 2 to 17 cents per litre below the other provinces.

ELECTRICITY RATES

As of September 2001 (dollars/month)*



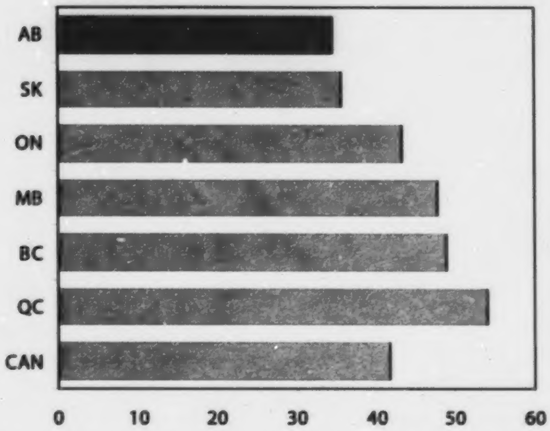
* Average monthly power charge for a single-family house, based on 500 KWH/month power consumption, and excludes GST. Rates include only rebates transferred directly to utilities.

Source: The City of Edmonton and EPCOR

- In 2001, the Alberta Government implemented a rebate program to assist consumers with their electricity bills due to short-term costs associated with deregulation.
- After the rebates, Alberta's typical residential electricity bills remained competitive with the rest of Canada.

NATURAL GAS RATES

2001 Average (cents per cubic metre)*



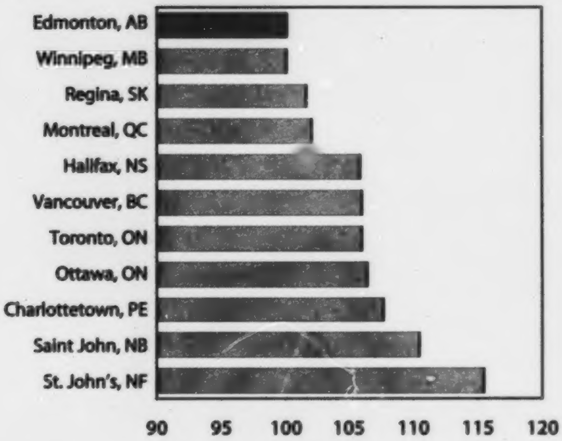
* January to October only. Rates include only rebates transferred directly to utilities.

Source: Statistics Canada

- For natural gas, rebates were also employed to aid consumers with higher costs in the first four months of 2001.
- After rebates, Alberta's residential natural gas rates were the lowest in Canada during the first ten months of 2001.

DAILY LIVING PRICE INDEX

December 2001*



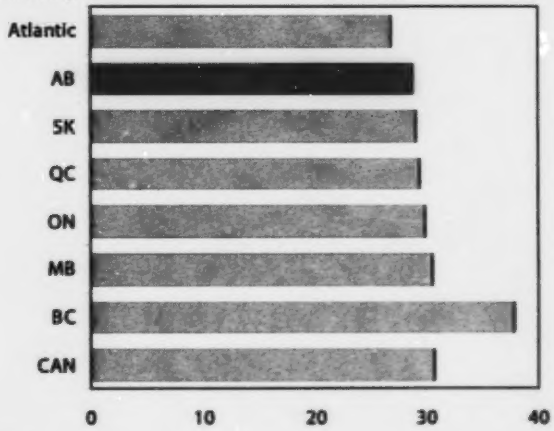
* Converted to index of Edmonton = 100. No data for Calgary.

Source: Statistics Canada

- Residents in Edmonton pay the lowest costs for daily living goods compared to other major Canadian cities. A basket of daily living goods that costs $100 in Edmonton would cost over $115 in St. John's.
- Daily living items include food, transportation, household operations and furnishings, health/personal care, recreation and tobacco/alcohol products.

HOUSING AFFORDABILITY

2001* (home ownership costs as a % of pre-tax household income)



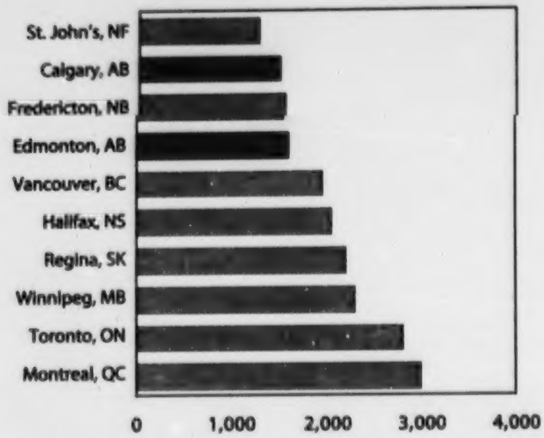
* 4th quarter estimate.

Source: Royal Bank of Canada

- Alberta has the second lowest housing affordability index in Canada (home ownership costs including mortgage payments, utilities, and property taxes, take up only 28.7% of a typical pre-tax household income in Alberta).
- Despite house price increases, good housing affordability in Alberta is the result of lower interest rates and a rise in household incomes.

NET HOME PROPERTY TAXES

2001 (dollars)*



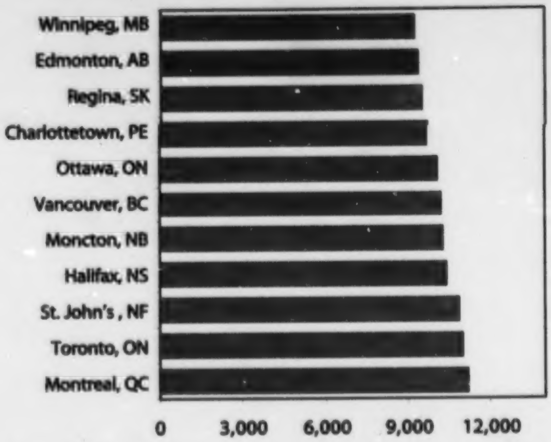
* Includes municipal, regional and school tax, net of homeowner grants or credits for a single family house.

Source: The City of Edmonton

- Edmonton's and Calgary's property taxes on a typical house are among the lowest in Canada.

CAR OWNERSHIP COSTS

2001 Annual (dollars)*



* Based on 4-year/96,000 km retention cycle of a 2001 Ford Taurus. Costs include general operating, insurance, depreciation, taxes and licence fees. No data for Calgary.

Source: Runzheimer Canada

- According to a national auto-owner survey, Edmonton is the second least expensive place in Canada to own and operate a car.

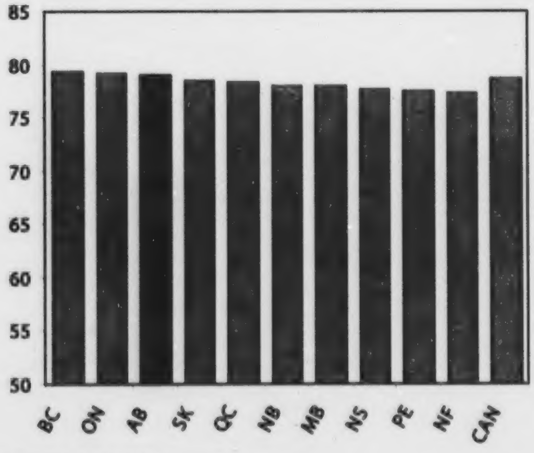
Quality of Life

OUTSTANDING

Each year, thousands of people from the rest of Canada are drawn to this province, well known for its exceptional standard of living. Alberta is a prosperous region, where residents share a rich natural environment, and enjoy our arts, culture and recreation opportunities.

LIFE EXPECTANCY

1998 (years)*

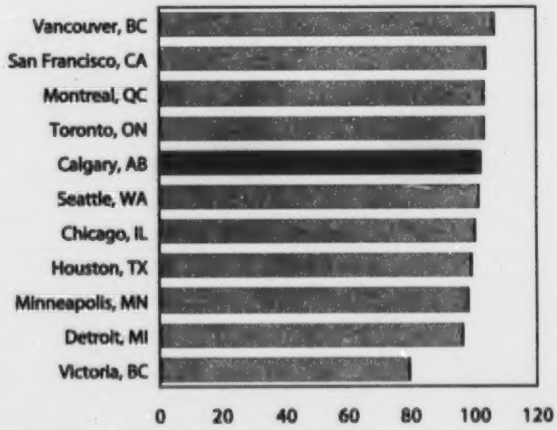


* Average life-span at birth.
Source: Statistics Canada

- In 1998, Alberta had the third highest life expectancy at birth among provinces.
- Albertans can expect to enjoy a longer life than the average Canadian.

QUALITY OF LIVING INDEX

2001 (New York = 100.0)*

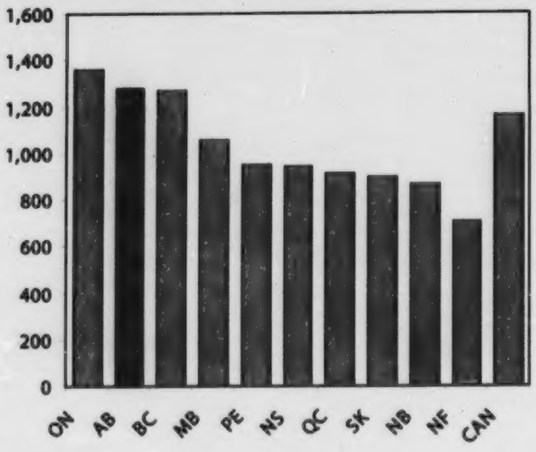


* 39 criteria based on political, social, economic, cultural, and natural environment; health; education; transportation; recreation; consumer goods; housing; and public services. Edmonton not included in survey.
Source: William M. Mercer Companies

- Based on an analysis of "Quality of Living" in 216 major cities in the world, Calgary ranks fourth highest in Canada and beats most major U.S. cities.

EXPENDITURE ON RECREATIONAL ACTIVITIES

2000 Average Expenditure Per Household (dollars per year)*



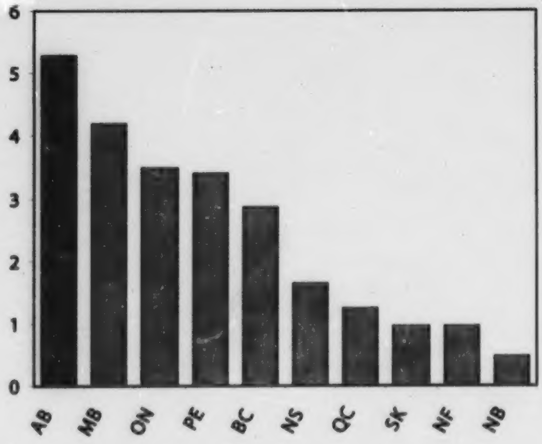
* Expenditure on recreation and entertainment.

Source: Statistics Canada

- Albertans "work hard and play hard". With the second highest average household income of Canadian provinces, Albertans' expenditure on sports, performing arts, and other recreational and entertainment activities is the second highest in Canada.

SUPPORT FOR PERFORMING ARTS

1999-2000 Private Sector Donations (dollars per capita)*



* Includes fundraising and donations. Survey based only on professional performing arts companies with budgets of $100,000 or more.

Source: The Council for Business and the Arts in Canada (CBAC)

- Alberta continues to stay at the top for private sector support of the performing arts, according to the most recent data.

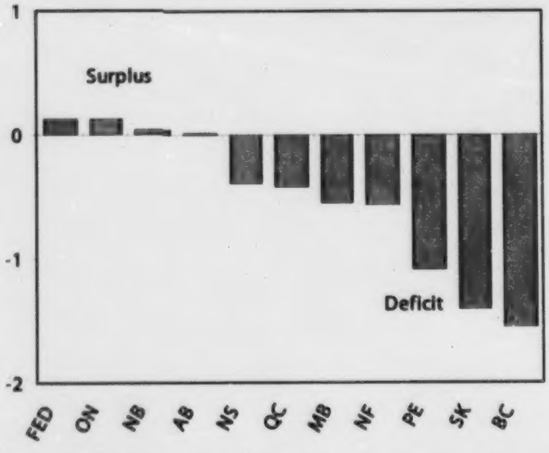
The Alberta Government

STREAMLINED, ACCOUNTABLE AND FISCALLY RESPONSIBLE

The Alberta government is committed to responding to the needs of its citizens. Its aim is to work with Albertans to target priorities while ensuring a balanced budget. As the only province with more financial assets than liabilities, Alberta continues to attract international attention as the most fiscally responsible government in Canada.

GOVERNMENT SURPLUSES (DEFICITS)

2001-02 (per cent of GDP)*



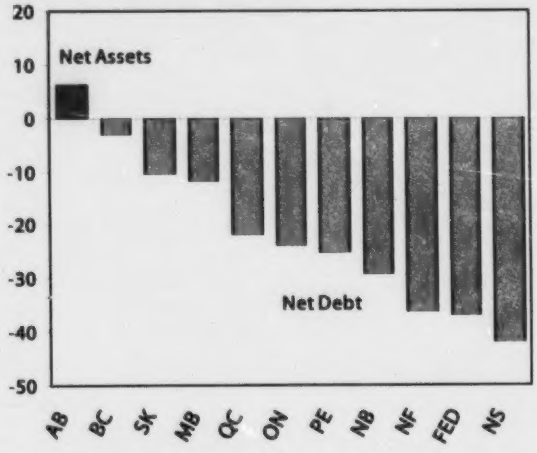
* Other governments as of February 28, 2002. Excludes payments from fiscal stabilization funds or their equivalent.

Source: Alberta Finance

- The Alberta government is committed to living within its means.
- Alberta is one of only three provinces to have a balanced budget in 2001-02.

GOVERNMENT NET ASSETS (DEBT)

March 31, 2002 (per cent of GDP)*



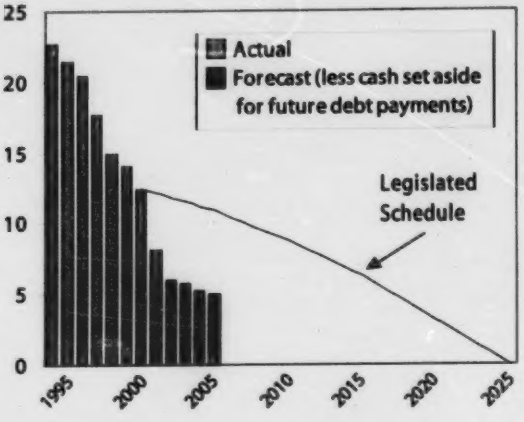
* Other governments as of February 28, 2002. On a consolidated basis where possible. Excludes pension liabilities.

Source: Alberta Finance

- Alberta's net debt has been eliminated, with total financial assets exceeding total liabilities.
- At March 31, 2002, Alberta's financial assets are forecast to be $24.4 billion. Total liabilities (excluding pension obligations) are forecast to be $15.3 billion, resulting in net assets of about $9.1 billion.

ALBERTA'S ACCUMULATED DEBT

At March 31 (billions of dollars)

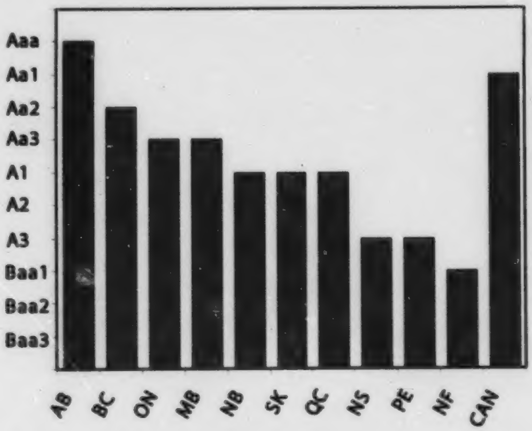


Source: Alberta Finance

- Alberta's accumulated debt is expected to be reduced to less than $5 billion by March 31, 2005.
- It is projected that the province's accumulated debt will be paid off by 2016, nine years ahead of schedule.

CREDIT RATING

As of March 1, 2002*



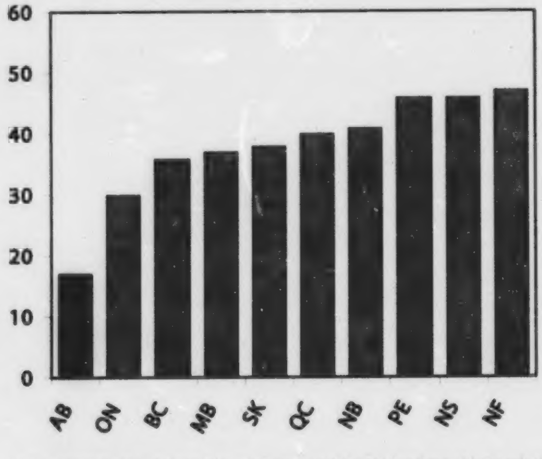
* Moody's Canadian domestic dollar debt ratings.

Source: Moody's Investors Services

- All major rating agencies (Standard and Poor's, Moody's, and Dominion Bond Rating Service) rank Alberta as Triple A, the top province in Canada for credit worthiness on Canadian dollar debt, exceeding even the federal government.

BORROWING COSTS

As of March 1, 2002 (basis points)*



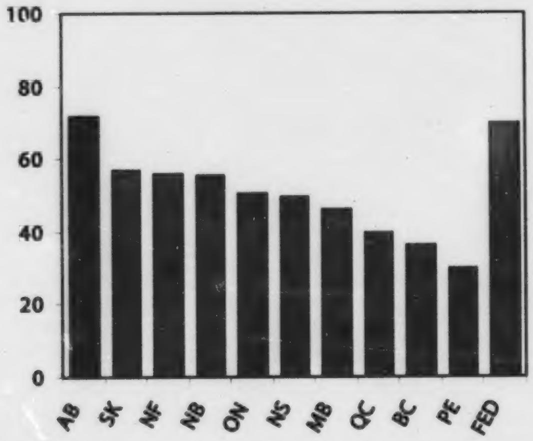
* Interest rates spread relative to 10-year Government of Canada bond rate. A basis point is one-hundredth of a percentage point.

Source: CIBC World Markets

- Alberta has by far the lowest interest rate spread relative to ten-year Government of Canada bonds of any province in Canada.
- Alberta's strong fiscal performance and top credit rating have led to lower borrowing costs for the province.

BUDGET PERFORMANCE INDEX

2001 (100-point index scale)*



* Component ratings include levels of, and changes in spending, tax rates, tax revenues, deficits and debt.

Source: Fraser Institute

- Based on the Fraser Institute's measure of budget performance, Alberta topped all other provinces and the federal government in 2001.
- According to the index, which is based upon the tax and expenditure behaviour of governments, Alberta's performance surpassed second place Saskatchewan by 26%.

Alberta Tax Advantage

BUDGET 2002

THE RIGHT DECISIONS FOR CHALLENGING TIMES

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Alberta Tax Advantage

> *"We're very keen on maintaining the most attractive tax regime in the country and we've been able to do that... We have to exercise prudent fiscal management and live within our means... We don't allow for deficits."*
>
> **Pat Nelson,**
> **Minister of Finance,**
> **Edmonton Journal,**
> **January 2, 2002**

THE TAX ADVANTAGE CONTINUES

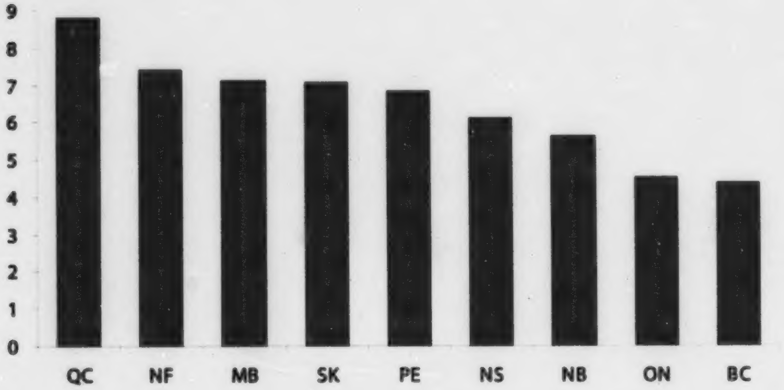
The government has worked hard to build Alberta's tax advantage. Last year, we introduced the 10% single rate personal income tax system, began business tax cuts as recommended by the Alberta Business Tax Review Committee, and continued reductions in school property taxes.

This year, the government must respond to lower-than-expected revenue. Corporate income tax reductions will continue, but the cuts will be more modest than originally planned. School property tax rates will fall by 1%, but the government will collect more revenue as a result of assessment growth in the province. The government is increasing taxes on tobacco substantially, which will discourage smoking, especially by young Albertans.

The government has carefully considered the effect of these decisions on Alberta's tax advantage, and made sure that Albertans continue to enjoy the lowest overall tax burden in Canada. Albertans benefit from among the lowest personal income taxes and school property taxes in Canada, the lowest fuel taxes, and no retail sales tax. Alberta businesses benefit from among the lowest corporate income tax rates, no capital tax, no general payroll tax and no retail sales tax on business inputs.

The tax advantage continues. The government's goal remains the same - lower and more competitive taxes that are sustainable over the long term.

Alberta's Tax Advantage
(billions of dollars)



This graph shows the total additional provincial taxes that individuals and businesses would pay if Alberta had the same personal and corporate taxes as other provinces.

PERSONAL INCOME TAXES

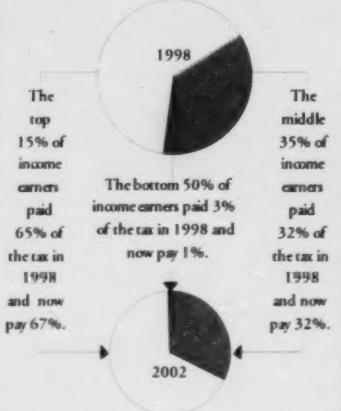
Albertans continue to benefit from the 10% single rate income tax system introduced last year. The system is fair and competitive. The large personal exemption keeps many low-income Albertans off the tax rolls entirely, and allows other Albertans to make more income before having to pay provincial taxes.

The basic personal exemption for 2002 is $13,339, the highest in Canada by far. A typical single individual can make $14,100 before paying any provincial income tax. A family with two children that earns less than $34,000 will not pay provincial income tax. For these families, the refundable Alberta Family Employment Tax Credit will exceed Alberta taxes payable.

Alberta also has the lowest top marginal tax rate in Canada. This makes Alberta an attractive location for businesses that employ highly-skilled people, and lets Albertans keep more from their work effort.

The single rate tax system indexes provincial tax credits so that their value to Albertans does not erode with inflation. In 2002, Alberta's tax credits increase by 3.4% over 2001 levels. The tax-on-income system allows us to index several credits, such as the education and pension amounts, that the federal government does not. Without indexation, Albertans would pay $75 million more in personal income taxes this year just because of inflation. Instead, the government is making sure that this money stays with Albertans.

Distribution of Personal Income Tax Burden



Alberta Non-Refundable Tax Credit Block

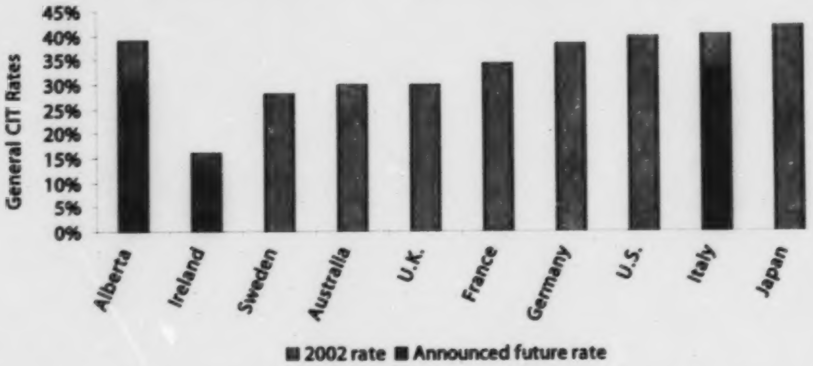
	2001			2002		
	Maximum Amount (A) ($)	Alberta Credit Rate (B) (%)	Deduction from Alberta Tax (A) x (B) ($)	Maximum Amount (A) ($)	Alberta Credit Rate (B) (%)	Deduction from Alberta Tax (A) x (B) ($)
Basic personal amount	12,900	10	1,290	13,339	10	1,334
Spousal amount	12,900	10	1,290	13,339	10	1,334
Equivalent-to-spouse amount	12,900	10	1,290	13,339	10	1,334
Age amount	3,619	10	362	3,742	10	374
Infirm dependant amount	3,500	10	350	3,619	10	362
CPP contributions	1,496	10	150	1,673	10	167
Employment Insurance contributions	878	10	88	858	10	86
Pension income amount	1,000	10	100	1,034	10	103
Disability amount	6,000	10	600	6,204	10	620
Disability supplement	3,500	10	350	3,619	10	362
Tuition and education amounts	Variable	10	Variable	Variable	10	Variable
Medical expenses	Variable	10	Variable	Variable	10	Variable
Caregiver amount	3,500	10	350	3,619	10	362
Interest on student loans	Variable	10	Variable	Variable	10	Variable
Donations and gifts						
- first $200	200	10	20	200	10	20
- over $200	75% of income	12.75	Variable	75% of income	12.75	Variable

BUSINESS TAXES

Last year, the government reduced business taxes by $286 million. We cut the general income tax rate to 13.5%, cut the small business rate to 5%, raised the small business threshold to $300,000, eliminated the capital tax and reduced the capital gains inclusion rate to 50%. At that time, we announced a schedule for further reductions that would have raised the small business threshold to $400,000 this year, and cut the small business rate to 3% by 2003 and the general rate to 8% by 2004.

This ambitious plan was motivated by the recognition that Alberta must compete on a global stage, and be internationally competitive in order to attract investment. If Alberta does not provide an attractive business climate, investment will flow elsewhere and Albertans will bear the cost, through fewer and lower quality jobs, lower wages, and ultimately, a lower standard of living.

International Comparison of Corporate Income Tax Rates



Includes estimated federal, regional and local corporate income taxes. Does not reflect differences in the tax base or other taxes that corporations may pay, such as payroll or capital taxes.

Sources: KPMG 2002 Corporate Tax Rate Survey; Alberta Finance data.

At the same time, the government announced that this plan would proceed subject to affordability. Tax cuts will only be made if they are sustainable. The government will not finance tax cuts with borrowed money. We have fought hard as a province to eliminate deficits and pay down the debt, and we will not undo these achievements.

The government remains committed to the tax reduction plan and the principles on which it is based, but we have modified the planned schedule of tax reductions as a result of the current fiscal situation. As of April 1st this year, the general rate falls to 13%, the small business rate drops to 4.5%, and the small business threshold increases to $350,000. These cuts will save Alberta businesses another $81 million, and will further encourage businesses to locate and expand in Alberta.

We still intend to reduce the general rate to 8% and the small business rate to 3%, and increase the small business threshold to $400,000, as affordable,

> *"... the Province continues to show solid economic fundamentals, helped by its very competitive tax system, which further stimulates growth by attracting businesses and workers to Alberta."*
>
> **Dominion Bond Rating Service, "The Canadian Federal and Provincial Governments: The Wind Has Turned," November 2001**

but we are slowing down the pace of planned reductions to ensure that they are fiscally sustainable. We are taking smaller steps this year than we had planned, but the destination remains the same.

Revised Implementation Schedule for the Business Tax Plan

(Effective April 1st each year)

	2001-02	2002-03	2003-04	2004-05
General rate * (%)	13.5	13.0	12.5	11.5
Small business rate (%)	5	4.5	4	3
Small business threshold ($)	300,000	350,000	400,000	
Capital gains inclusion rate (%)	50			
Railway fuel tax (¢/litre)	1.5			
Capital tax	Eliminated			
Cumulative savings from tax cuts ($ millions)	286	367	448	597

* In 2001, the reduction of the general rate eliminated the need for a separate manufacturing & processing rate.

TOBACCO TAXES

Tobacco taxes increase from $1.75 to $4.00 per pack, effective midnight budget day. We remain committed to keeping overall taxes as low as possible, but in some cases, higher taxes can send the right signals. High tobacco taxes encourage Albertans, particularly young Albertans, to quit smoking, or better yet, to never take up the habit.

Over 36,000 Albertans are ultimately expected to quit smoking as a result of the increase in tobacco taxes.

Studies prove that increased tobacco taxes reduce smoking. Higher tobacco taxes are especially good at discouraging smoking among young people who are the most sensitive to cigarette prices. A 1998 World Bank study concluded that "the most effective way to deter children from taking up smoking is to increase taxes on tobacco."

The government is also equalizing the tax rate on loose tobacco with that on cigarettes. The health impacts of smoking are the same whether people buy cigarettes or roll their own, so the tax rate should be equal. Young Albertans should not be discouraged from buying cigarettes only to find a lower cost alternative in loose tobacco. In addition, the government is increasing the tax on cigars from 80% to 183% of the retailers' cost plus mark up, and the maximum tax per cigar from $2.50 to $8.00 per cigar.

Higher tobacco taxes increase the incentive to smuggle. To combat smuggling, the Alberta government is tightening its legislation and committing an additional $3 million for enforcement. These measures will stem the flow of cheaper, illegal product so that higher taxes have their intended impact.

"The cost [of smoking] is a deterrent... The teens are the ones who are experimenting, trying it out, and if they can't afford it, they won't get addicted... This [proposed tobacco tax increase] is wonderful, because 30 per cent of all cancer deaths can still be attributed to tobacco use."

Cheri Langhofer,
Canadian Cancer Society,
Lethbridge Herald,
January 24, 2002

SCHOOL PROPERTY TAXES

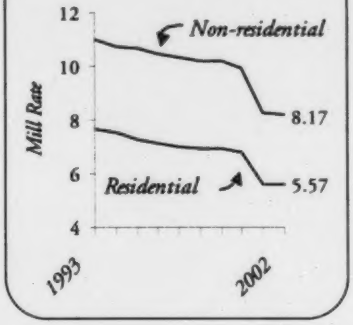
Albertans enjoy among the lowest total municipal and school property taxes in Canada. Last year, the government cut school property tax rates by 17%, reducing the amount paid by Albertans and Alberta businesses by $135 million to $1.2 billion.

The government had planned to hold school property tax revenue constant at $1.2 billion, but is lifting the freeze to provide a stable source of revenue growth that will reduce overall revenue volatility and help with the current fiscal situation. Government revenue will increase by $45 million in 2002-03.

Growth in the assessment base means that more revenue will be raised from the property tax even though the mill rate is being reduced. The provincial uniform school property tax rates for 2002 will fall 1%, from $5.62 to $5.57 per $1,000 of equalized assessment for residential and farm property, and from $8.25 to $8.17 for non-residential property.

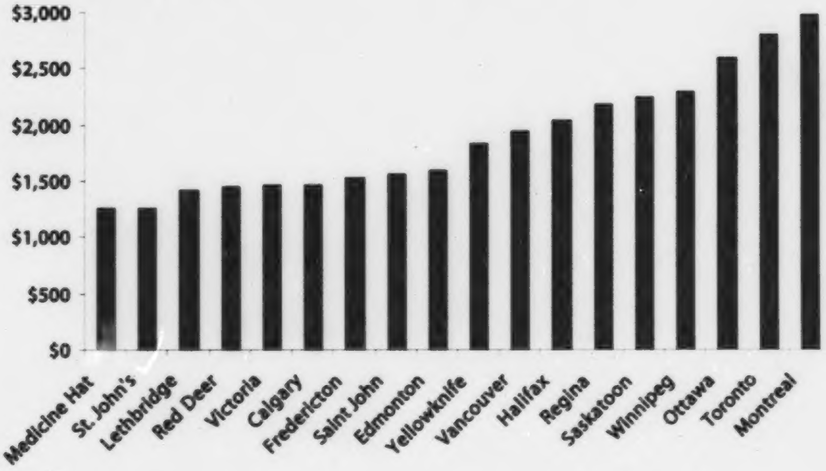
The lower mill rates help offset increases in home values, so that more of the increased revenue comes from new growth in the province. This will be the ninth straight year that the government has cut or frozen the provincial uniform school property tax rate.

Ongoing Cuts to Provincial Uniform School Property Tax Rate



Net Property Tax for a Single Family Home, 2001

(Selected Canadian Cities)



Notes:

1. Includes municipal, regional and school taxes, net of any applicable homeowner grants or property tax credits.
2. Taxes are based on the value of a typical single family home, defined as a 25-30 year old detached bungalow with 3 bedrooms, a main floor area of 1,200 square feet, finished full basement, double car garage, and a 6,000 square foot lot.

Source: City of Edmonton, Planning and Development, 2001 Residential Property Taxes & Utility Charges Survey.

Alberta's school property tax system promotes fairness for students and taxpayers. School property taxes are collected from residential and non-residential property assessments that are based on market value. The province then pools the school property taxes it collects from municipalities and distributes the revenue on an equal per student basis, so that students throughout the province receive the same educational opportunities regardless of the wealth of their community.

NHL PLAYERS TAX

At the request of Alberta's NHL teams, the government is planning to create a special tax to be collected from all NHL hockey players, including Alberta players, who play hockey games in Alberta. Hockey players who earn part of their income by playing in Alberta will also pay part of their taxes in Alberta. The amount of a player's base salary that is attributable to playing in Alberta will be taxed at the rate of 12.5%.

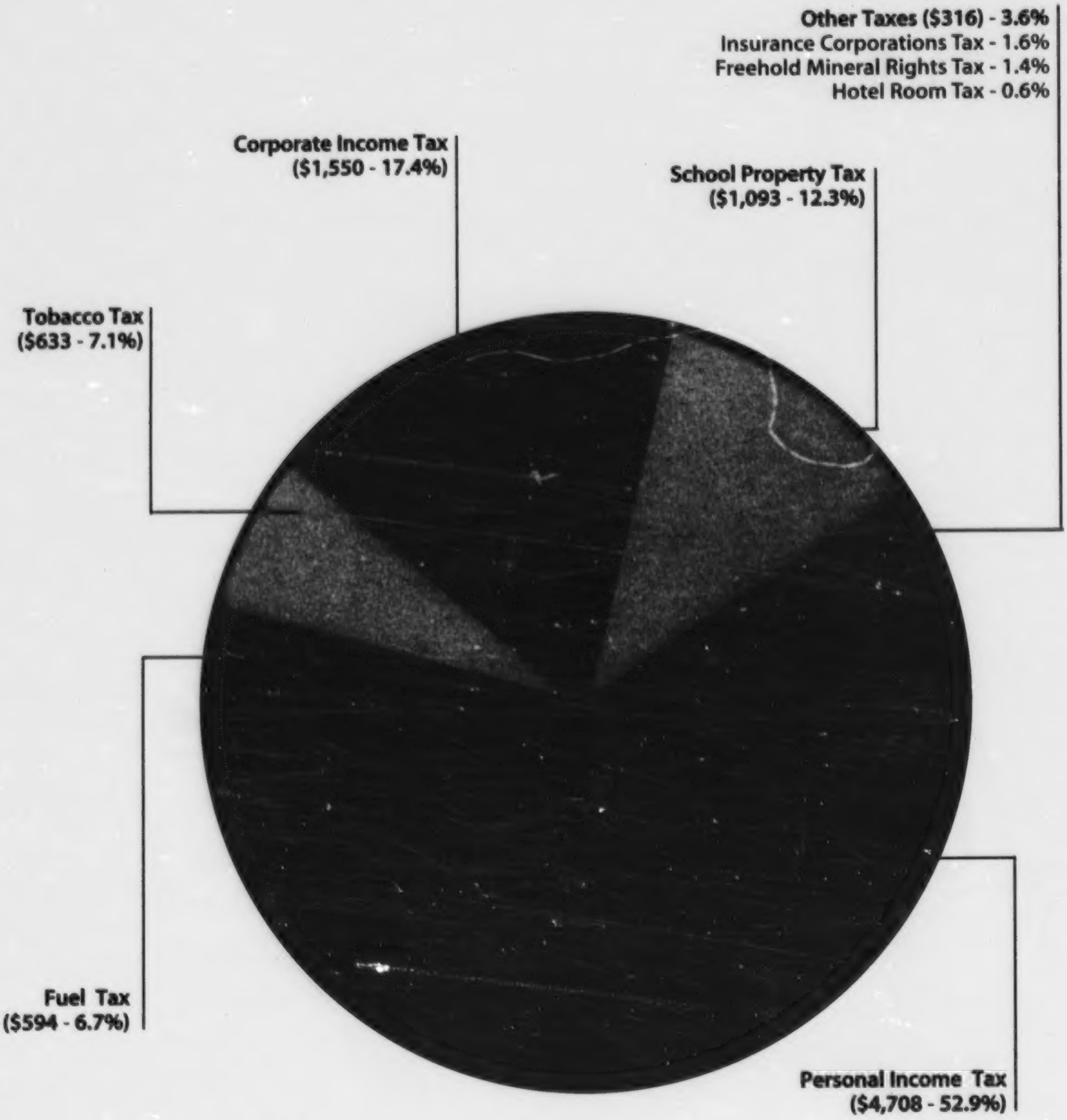
This tax is similar to the tax levied by some American states on NHL players. The tax will take effect for the 2002-03 season and will end on December 31, 2005. The revenue raised, less administration costs, will go to support our NHL teams. The funds will come from the players themselves, not the general public.

Tax Revenue By Source

(millions of dollars)

Total Tax Revenue $8.894 Billion

2002-03 ESTIMATE



2002-03 Revenue from Tax Sources

(millions of dollars)

Tax	Total Revenue	Tax Rate	Revenue per Unit of Tax
1. Personal Income Tax*	**4,708**	10.0%	470.3 per point
2. Corporate Income Tax	**1,550**		
General	1,346	13.0%	103.5 per point
Small business	204	4.5%	45.3 per point
3. Fuel Tax	**594**		
Gasoline and Diesel	569	9 ¢/litre	63.2 per ¢/litre
Aviation	11	1.5 ¢/litre	7.3 per ¢/litre
Propane	10	6.5 ¢/litre	1.5 per ¢/litre
Railway	4	1.5 ¢/litre	2.7 per ¢/litre
4. Tobacco Tax	**633**	$32/carton	19.8 per $/carton
5. School Property Tax	**1,093**		
Residential/farm property	588	$5.57/$1,000 of assessment	105.6 per $/$1,000 of assessment
Non-residential	505	$8.17/$1,000 of assessment	61.8 per $/$1,000 of assessment
6. Freehold Mineral Rights Tax	**127**		(difficult to express in per unit terms)
7. Insurance Corporations Tax	**139**		
Life, Accident, Sickness	41	2% of premium	20.5 per point
Other	98	3% of premium	32.7 per point
8. Hotel Room Tax	**50**	5.0%	10.0 per point

* Revenue is $4,703 million plus $5 million for the NHL Players Tax.

Interprovincial Tax and Health Care Insurance Premium Comparison, 2002

(dollars)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
Employment Income of $30,000 – One Income Family with Two Children										
Provincial Income Tax	**(798)**	184	738	559	(380)	(750)	1,206	1,111	1,112	1,441
Provincial Sales Tax	–	745	506	760	1,028	1,167	1,009	989	1,262	1,077
Health Care Premium	**304**	605	–	–	–	–	–	–	–	–
Payroll Tax	–	–	–	233	291	689	–	–	–	170
Fuel Tax	**270**	330	450	345	441	456	390	405	390	495
Tobacco Tax	**706**	723	430	480	223	328	363	401	448	550
	482	2,587	2,124	2,377	1,603	1,890	2,968	2,906	3,212	3,733
Alberta Advantage		**2,105**	**1,642**	**1,895**	**1,121**	**1,408**	**2,486**	**2,424**	**2,730**	**3,251**
Employment Income of $60,000 – Two Income Family with Two Children										
Provincial Income Tax	**2,171**	1,945	3,220	3,166	1,653	2,314	3,206	3,404	3,312	3,645
Provincial Sales Tax	–	1,110	745	1,113	1,510	1,666	1,511	1,469	1,879	1,609
Health Care Premium	**747**	864	–	–	–	–	–	–	–	–
Payroll Tax	–	–	–	465	583	1,379	–	–	–	339
Fuel Tax	**405**	495	675	518	662	684	585	608	585	743
Tobacco Tax	**706**	723	430	480	223	328	363	401	448	550
	4,029	5,137	5,070	5,742	4,631	6,371	5,665	5,882	6,224	6,886
Alberta Advantage		**1,108**	**1,041**	**1,713**	**602**	**2,342**	**1,636**	**1,853**	**2,195**	**2,857**
Employment Income of $100,000 – Two Income Family with Two Children										
Provincial Income Tax	**5,476**	4,690	7,442	8,098	4,701	8,625	7,595	7,959	7,528	8,569
Provincial Sales Tax	–	1,697	1,116	1,649	2,277	2,398	2,258	2,193	2,818	2,393
Health Care Premium	**747**	864	–	–	–	–	–	–	–	–
Payroll Tax	–	–	–	776	971	2,298	–	–	–	565
Fuel Tax	**405**	495	675	518	662	684	585	608	585	743
Tobacco Tax	**706**	723	430	480	223	328	363	401	448	550
	7,334	8,469	9,663	11,521	8,834	14,333	10,801	11,161	11,379	12,820
Alberta Advantage		**1,135**	**2,329**	**4,187**	**1,500**	**6,999**	**3,467**	**3,827**	**4,045**	**5,486**

Calculations are based on other provinces' tax parameters known as of February 26, 2002.

Assumptions:

- Business is assumed to bear between 25% and 60% of the provincial sales tax, depending upon the provincial tax regime.
- In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for health care insurance premiums.
- Fuel tax is based on estimated consumption of 3,000 litres per year for one income families and 4,500 litres for two income families.
- Tobacco tax is based on estimated consumption of 100 packs per adult per year.
- RRSP/RPP contributions of $1,000, $7,800 and $13,500 are included in the calculation of personal income tax for the $30,000, $60,000 and $100,000 families, respectively.
- For two income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.
- The children in each family are assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2002

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
Personal Income Tax											
Statutory Rate Range											
- Lowest Rate	(%)	**10.00**	6.05	11.25	10.90	6.05	16.00[a]	9.68	9.77	9.80	10.57
- Highest Rate	(%)	**10.00**	14.70	15.50	17.40	11.16	24.00[a]	17.84	16.67	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Basic Exemption	($)	**13,339**	8,168	8,000	7,412	7,686	6,060	7,634	7,231	7,412	7,410
Spousal Exemption	($)	**13,339**	6,994	8,000	6,293	6,526	6,060	6,482	6,140	6,294	6,055
Corporate Income Tax											
General Rate	(%)	**13.0[b]**	13.5	17.0	16.5	12.5	9.04[c]	16.0	16.0	16.0	14.0
M&P Rate	(%)	**13.0[b]**	13.5	10/17[d]	16.5	11.0	9.04[c]	16.0	16.0	7.5	5.0
Small Business Rate	(%)	**4.5[b]**	4.5	6.0	5.0	6.0	9.04[c]	4.0	5.0	7.5	5.0
Capital Tax											
General	(max.%)	—	—[e]	0.60	0.50	0.30	0.64	0.30	0.25	—	—
Financial Institutions	(max.%)	—	3.00	3.25	3.00	0.90	1.55[f]	3.00	3.00	3.00	4.00
Retail Sales Tax	(%)	—	7.5	6.0	7.0	8.0	7.5[g]	8.0[g]	8.0[g]	10.0	8.0[g]
Gasoline Tax	(¢/litre)	**9.0**	11.0[h]	15.0	11.5	14.7	15.2[h,i]	13.0[i]	13.5[i]	13.0	16.5[i]
Tobacco Tax	($/carton)	**32.00**	30.00	17.20[i]	19.20[i]	8.90[i]	13.10	14.50[i]	16.04[i]	17.90	22.00[i]
Payroll Tax	(max.%)	—	—	—	2.15	1.95	4.26[j]	—	—	—	2.00

Rates for other provinces known as of February 26, 2002.

[a] Quebec residents receive an abatement of 16.5% of federal tax in lieu of cash transfers to Quebec for several social programs.

[b] These rates are effective April 1, 2002. Until that time the general and M&P rates are 13.5% and the small business rate is 5% .

[c] This rate applies to active business income and includes the basic rate of 8.9% plus the Youth Fund surtax of 1.6%. Other income is taxed at a higher rate.

[d] The general corporate tax rate is reduced by up to 7 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

[e] The rate is 0.15% until September 1, 2002.

[f] This rate includes the base rate of 1.28%, the Youth Fund surtax of 1.6%, and a compensatory tax of 0.25%.

[g] These provinces' sales taxes are harmonized with the federal GST.

[h] An additional 4¢/litre (increases to 6¢/litre on April 1, 2002) is imposed in the greater Vancouver area, 2.5¢/litre in Victoria and 1.5¢/litre in Montreal.

[i] These provinces apply their retail sales tax on top of this tax.

[j] Quebec levies an additional 2% compensatory tax on the wages paid by financial institutions that is not included in this rate.

Top Marginal Personal Income Tax Rates, 2002

(per cent)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
Federal	**29.00**	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00
Provincial	**10.00**	14.70	15.50	17.40	17.41	24.00	17.84	18.34	18.37	19.64
Federal Abatement[a]	—	—	—	—	—	(4.79)	—	—	—	—
Total	**39.00**	43.70	44.50	46.40	46.41	48.21	46.84	47.34	47.37	48.64

Rates for other provinces known as of February 26, 2002.

[a] Quebec residents receive an abatement of 16.5% of Basic Federal Tax in lieu of federal cash transfers to Quebec for several social programs. This reduces the top federal rate of 29% by 16.5%, or 4.79% of taxable income.

Interprovincial Tax and Health Care Insurance Premium Comparison, 2002

(dollars)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
Employment Income of $30,000 – One Income Family with Two Children										
Provincial Income Tax	**(798)**	184	738	559	(380)	(750)	1,206	1,111	1,112	1,441
Provincial Sales Tax	**–**	745	506	760	1,028	1,167	1,009	989	1,262	1,077
Health Care Premium	**304**	605	–	–	–	–	–	–	–	–
Payroll Tax	**–**	–	–	233	291	689	–	–	–	170
Fuel Tax	**270**	330	450	345	441	456	390	405	390	495
Tobacco Tax	**706**	723	430	480	223	328	363	401	448	550
	482	2,587	2,124	2,377	1,603	1,890	2,968	2,906	3,212	3,733
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Employment Income of $60,000 – Two Income Family with Two Children										
Provincial Income Tax	**2,171**	1,945	3,220	3,166	1,653	2,314	3,206	3,404	3,312	3,645
Provincial Sales Tax	**–**	1,110	745	1,113	1,510	1,666	1,511	1,469	1,879	1,609
Health Care Premium	**747**	864	–	–	–	–	–	–	–	–
Payroll Tax	**–**	–	–	465	583	1,379	–	–	–	339
Fuel Tax	**405**	495	675	518	662	684	585	608	585	743
Tobacco Tax	**706**	723	430	480	223	328	363	401	448	550
	4,029	5,137	5,070	5,742	4,631	6,371	5,665	5,882	6,224	6,886
Alberta Advantage		**1,108**	**1,041**	**1,713**	**602**	**2,342**	**1,636**	**1,853**	**2,195**	**2,857**
Employment Income of $100,000 – Two Income Family with Two Children										
Provincial Income Tax	**5,476**	4,690	7,442	8,098	4,701	8,625	7,595	7,959	7,528	8,569
Provincial Sales Tax	**–**	1,697	1,116	1,649	2,277	2,398	2,258	2,193	2,818	2,393
Health Care Premium	**747**	864	–	–	–	–	–	–	–	–
Payroll Tax	**–**	–	–	776	971	2,298	–	–	–	565
Fuel Tax	**405**	495	675	518	662	684	585	608	585	743
Tobacco Tax	**706**	723	430	480	223	328	363	401	448	550
	7,334	8,469	9,663	11,521	8,834	14,333	10,801	11,161	11,379	12,820
Alberta Advantage		**1,135**	**2,329**	**4,187**	**1,500**	**6,999**	**3,467**	**3,827**	**4,045**	**5,486**

Calculations are based on other provinces' tax parameters known as of February 26, 2002.

Assumptions:

- Business is assumed to bear between 25% and 60% of the provincial sales tax, depending upon the provincial tax regime.
- In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for health care insurance premiums.
- Fuel tax is based on estimated consumption of 3,000 litres per year for one income families and 4,500 litres for two income families.
- Tobacco tax is based on estimated consumption of 100 packs per adult per year.
- RRSP/RPP contributions of $1,000, $7,800 and $13,500 are included in the calculation of personal income tax for the $30,000, $60,000 and $100,000 families, respectively.
- For two income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.
- The children in each family are assumed to be 6 and 12 years old.

Major Provincial Tax Rates, 2002

		AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
Personal Income Tax											
Statutory Rate Range											
- Lowest Rate	(%)	10.00	6.05	11.25	10.90	6.05	16.00[a]	9.68	9.77	9.80	10.57
- Highest Rate	(%)	10.00	14.70	15.50	17.40	11.16	24.00[a]	17.84	16.67	16.70	18.02
Surtax	(%)	—	—	—	—	20.0/36.0	—	—	10.0	10.0	9.0
Basic Exemption	($)	13,339	8,168	8,000	7,412	7,686	6,060	7,634	7,231	7,412	7,410
Spousal Exemption	($)	13,339	6,994	8,000	6,293	6,526	6,060	6,482	6,140	6,294	6,055
Corporate Income Tax											
General Rate	(%)	13.0[b]	13.5	17.0	16.5	12.5	9.04[c]	16.0	16.0	16.0	14.0
M&P Rate	(%)	13.0[b]	13.5	10/17[d]	16.5	11.0	9.04[c]	16.0	16.0	7.5	5.0
Small Business Rate	(%)	4.5[b]	4.5	6.0	5.0	6.0	9.04[c]	4.0	5.0	7.5	5.0
Capital Tax											
General	(max.%)	—	—[e]	0.60	0.50	0.30	0.64	0.30	0.25	—	—
Financial Institutions	(max.%)	—	3.00	3.25	3.00	0.90	1.55[f]	3.00	3.00	3.00	4.00
Retail Sales Tax	(%)	—	7.5	6.0	7.0	8.0	7.5[g]	8.0[g]	8.0[g]	10.0	8.0[g]
Gasoline Tax	(¢/litre)	9.0	11.0[h]	15.0	11.5	14.7	15.2[h,i]	13.0[i]	13.5[i]	13.0	16.5[i]
Tobacco Tax	($/carton)	32.00	30.00	17.20[i]	19.20[i]	8.90[i]	13.10	14.50[i]	16.04[i]	17.90	22.00[i]
Payroll Tax	(max.%)	—	—	—	2.15	1.95	4.26[j]	—	—	—	2.00

Rates for other provinces known as of February 26, 2002.

[a] Quebec residents receive an abatement of 16.5% of federal tax in lieu of cash transfers to Quebec for several social programs.

[b] These rates are effective April 1, 2002. Until that time the general and M&P rates are 13.5% and the small business rate is 5%.

[c] This rate applies to active business income and includes the basic rate of 8.9% plus the Youth Fund surtax of 1.6%. Other income is taxed at a higher rate.

[d] The general corporate tax rate is reduced by up to 7 points based on the share of a corporation's national manufacturing and processing income allocated to Saskatchewan.

[e] The rate is 0.15% until September 1, 2002.

[f] This rate includes the base rate of 1.28%, the Youth Fund surtax of 1.6%, and a compensatory tax of 0.25%.

[g] These provinces' sales taxes are harmonized with the federal GST.

[h] An additional 4¢/litre (increases to 6¢/litre on April 1, 2002) is imposed in the greater Vancouver area, 2.5¢/litre in Victoria and 1.5¢/litre in Montreal.

[i] These provinces apply their retail sales tax on top of this tax.

[j] Quebec levies an additional 2% compensatory tax on the wages paid by financial institutions that is not included in this rate.

Top Marginal Personal Income Tax Rates, 2002

(per cent)

	AB	BC	SK	MB	ON	QC	NB	NS	PE	NF
Federal	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00
Provincial	10.00	14.70	15.50	17.40	17.41	24.00	17.84	18.34	18.37	19.64
Federal Abatement[a]	—	—	—	—	—	(4.79)	—	—	—	—
Total	39.00	43.70	44.50	46.40	46.41	48.21	46.84	47.34	47.37	48.64

Rates for other provinces known as of February 26, 2002.

[a] Quebec residents receive an abatement of 16.5% of Basic Federal Tax in lieu of federal cash transfers to Quebec for several social programs. This reduces the top federal rate of 29% by 16.5%, or 4.79% of taxable income.

Response to the Auditor General

BUDGET 2002

THE RIGHT DECISIONS FOR CHALLENGING TIMES

Response to the Auditor General

Every year the Auditor General prepares an annual report on the scope and findings of the work carried out by the Office of the Auditor General. Following are the numbered recommendations in the Auditor General's 2000-01 Annual Report and the government's response to each of them.

These recommendations and the government's response are based on the previous ministry structure in effect for reporting purposes at March 31, 2001.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
Cross-Government	
1. Standards for business cases	
We recommend that the Ministry of Executive Council work with other ministries to develop standards for business cases.	Accepted. Standards will be developed and implemented with the assistance of the Deputy Ministers by March 2002.
2. Service level agreements	
We recommend that the Deputy Minister of Executive Council, the Alberta Corporate Service Centre and Ministries take immediate action to develop and sign service level agreements that detail the services to be provided by the Centre, the associated costs and performance measures.	Accepted. Revised service level agreements will be in place for 2002-03.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
Agriculture, Food and Rural Development	
3. Evaluating program success	
We recommend that the Department evaluate the success of its grant programs in meeting Ministry goals. This includes evaluating the grant programs themselves as well as individual grants within the programs.	Accepted. The Ministry will more clearly link its grant programs to Ministry goals and establish performance measures at the commencement of programs. The success of grant programs will be evaluated against these measures. Some grant programs do not lend themselves well to the identification of quantifiable outcomes. Interested groups and stakeholders will be consulted about appropriate measures for determining the success of these programs.
4. Evaluation of the Farm Income Disaster Program	
We again recommend that the Department of Agriculture, Food and Rural Development perform annual performance evaluations of the Farm Income Disaster Program (FIDP) to assess the achievement of the program.	Accepted. The Ministry plans to complete an evaluation by end of 2001.
Children's Services	
5. Information systems	
We again recommend that the Ministry improve its information systems that report the costs and results of services.	Accepted. Within the resources available, some initiatives will be undertaken commencing in 2002 which are expected to provide improved cost information for decision-making.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
6. Improve business plans	
We again recommend that the Ministry and Authorities improve their business plans by: • improving the links between issues, trends and priority areas for improvement, and the strategies to deal with them • improving the definitions of their goals, performance measures and targets • providing a reasonable number of performance measures • providing better budget information	Accepted. The Ministry has initiated a project with an expected implementation date of fiscal 2002-03, to improve the ministry and regional environmental scanning necessary to strengthen the linkages between trends and issues, and the priorities and strategies to deal with them. Support will be provided to the Authorities with the continuous improvement of their local plans.
Environment	
7. IRMD planning, monitoring, and reporting	
We recommend that the Integrated Resource Management Division's planning, monitoring, and reporting be strengthened. Performance measurement and reporting should be implemented.	Accepted. Several initiatives aimed at improving planning, monitoring and reporting for the Integrated Resource Management Division are underway and expected to be implemented during the 2001-02 fiscal year.
8. Financial security for land disturbances	
We again recommend that the Department address the risks related to financial securities for land disturbances throughout the Province.	Accepted in principle. The Ministry requires all operators to post the full amount of security legislated by the *Environmental Protection and Enhancement Act* and the Conservation and Reclamation Regulation. The amount of security is stipulated by the Regulation at either full-cost-of reclamation or at rates set in previous legislation. The Ministry will continue to work with industry to improve calculation methods that will ensure security is being provided according to the Regulation. The Ministry has also indicated to industry that it will discuss the form of security that will be provided.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
Executive Council	
9. Governance and accountability of Academic Health Centres	
We recommend that Executive Council assign responsibility for implementation of our prior year recommendations that: • those who manage and fund academic health activities acknowledge the full scope and magnitude of those activities and the consequences for the accountability of academic health centres • the entity or entities responsible for academic health, and their mandates, roles, and accountabilities be clearly defined and, on this basis, the appropriate organization and governance structure be established.	Accepted. Responsibility for implementing these recommendations will be assigned and prior year's recommendations will be implemented by March 31, 2002.
Gaming	
10. Compensation to gaming operators	
We recommend that the Alberta Gaming and Liquor Commission determine whether compensation rates paid to VLT and casino facility operators represent an appropriate commercial return for services provided.	Accepted. The Alberta Gaming and Liquor Commission, working with the casino operators, has begun a review of the compensation rates and the establishment of a process to provide ongoing review of these rates. A similar review will be carried out with the VLT operators. The reviews are expected to be completed in spring 2002.
11. Electronic racing terminals	
We recommend that the Alberta Gaming and Liquor Commission improve its management of electronic racing terminal contracts.	Accepted in principle. A transition plan, providing operators an opportunity to adapt their business plans to the new requirements, will result in termination of the existing agreements or acquisition of the machines by the Commission by December 31, 2003. Compensation rates will be amended at the time of acquisition of the machines by the Commission to reflect the actual cost of doing business.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
Government Services	
12. Compliance with the Charitable Fund-Raising Act	
We recommend that the Ministry improve its monitoring of compliance with the *Charitable Fund-Raising Act.*	Accepted. The Ministry is currently implementing an action plan to ensure: • all charitable organizations collecting more than $25,000 per year are registered, • all registered charitable organizations are complying with the financial reporting requirements of the Act, and • on-site inspections and follow up will take place, as needed. The Ministry will develop and implement the risk assessment model as suggested by the Office of the Auditor General.
Health and Wellness	
13. Business planning	
We again recommend the Department of Health and Wellness and health authorities implement a joint strategy for improving the implementation of authorized business plans at the beginning of the year.	Accepted. The Ministry plans to provide the fiscal target to health authorities before the beginning of the year so as to improve the business planning process.
14. Measuring and reporting the performance of the health system	
We again recommend the Department of Health and Wellness, in cooperation with stakeholders, improve the measurement and reporting of the quality and cost of health services.	Accepted. To further improve performance measurement and reporting of results and costs by health authorities, four new initiatives were started during 2001-02.
15. Basis of funding	
We recommend the Department of Health and Wellness clarify expectations for funding equipment and assess the merits and risks in providing equipment funding in two different ways.	Accepted. Future equipment funding will explicitly clarify expectations and risks will continue to be monitored and managed.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
16. Physician billings We again recommend the Department of Health and Wellness complete a risk assessment of physician billings with reference to section 8 of the *Alberta Health Care Insurance Act* and further develop an examination process for meeting the expectation of the Act.	Accepted. A review of the existing risk assessment approaches and the legislation will be undertaken during 2002-03 to identify improvements.
17. System for paying physicians We again recommend the Department of Health and Wellness implement strategies that would promote cost-effectiveness as part of the system for paying physicians for their services.	Accepted. A number of initiatives that will collectively address this recommendation are underway or planned for 2002-03.
18. Contracting for services We recommend the Department of Health and Wellness assess reliance on contracted services and improve the control over contracting activity.	Accepted. Specific actions are underway to substantially address this recommendation by June 30, 2002.
19. Reporting financial results We again recommend the Department of Health and Wellness improve the reporting of financial results in the Ministry and Department financial statements.	Accepted. The Ministry is moving towards reporting expenses by core business as set out in the government's new corporate policies.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
20. Surgical service contracting – conflict of interest	
We recommend the Calgary Health Region and Capital Health Authority enhance their conflict-of-interest processes: • by extending private interest disclosure requirements to senior management who are in a position to influence contract decisions, and • by using an independent third-party review, as part of a formalized appeal mechanism, when employees operate private practices or clinics that contract with their employers. We believe this recommendation should apply to all regional health authorities.	Accepted. The Ministry will be meeting the Capital Health Authority and Calgary Health Region to discuss the Auditor General's recommendation and identify options to enhance further their conflict of interest processes. Due to the complexity of the recommendations, it is anticipated that resolution will likely occur in a future business cycle.
Human Resources and Employment	
21. Safeguarding client information	
We recommend the Department: • review the access that training providers have to client information and limit training providers' access to only the information required to fulfill their responsibilities, • monitor enquiries to sensitive information to assess whether enquires are appropriate, and • maintain adequate documentation of the procedures performed to ensure that all client information is returned to the Department and deleted from training providers' systems upon contract completion.	Accepted. A new information system that includes access restrictions is planned for implementation before the end of 2002. The system will also allow monitoring of training providers' access to client information. Procedures will be documented to ensure that all client information is returned to the Ministry and deleted from training providers' systems upon contract completion.
22. Skills Development Program	
We again recommend that procedures to monitor compliance by training providers with the terms of the Skills Development Program be improved.	Accepted. The Ministry has in place, or will have in place by March 2002, memorandums of understanding and/or contracts with larger institutions providing training to the majority of students of the Skills Development Program. A new regulation being developed will require all service providers to meet minimum standards. We expect the regulation to be in place by April 2002.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
Infrastructure	
23. Business case analyses	
We recommend that the Ministry of Infrastructure establish and enforce its requirements for preparing business case analyses, including the preparation of a public sector comparator for partnership projects.	Accepted. Progress is expected to be made before the end of March 2002.
24. Deferred maintenance	
We recommend that the Ministries of Infrastructure and Transportation take the following actions to ensure that they base their spending decisions on adequate information: • establish a consistent definition of deferred maintenance • acquire and use systems that accurately measure the extent and cost of deferred maintenance • disclose the extent and cost of deferred maintenance in its annual report	Partially accepted. The Ministry agrees that there is a need to establish a consistent definition of deferred maintenance and to accurately measure the extent and cost of deferred maintenance. Whether accountability is better served by the ministry reporting on its achievement of the performance measures related to the physical condition of different types of infrastructure or by disclosure of deferred maintenance amounts requires further study.
25. Capital plans	
We recommend that the Ministry of Infrastructure continue to implement processes to ensure that capital plans from ministries and client organizations contain information it requires to prepare its long-term strategic plans, as well as the Corporate Capital Overview.	Accepted. Further progress is expected to be made before the end of March 2002.
Innovation and Science	
26. Management of information technology	
We again recommend that the Ministry of Innovation and Science, with the cooperation of other Ministries, develop systems to assist in the management of government-wide information technology (IT) services and infrastructure.	Accepted. The Ministry has taken several steps over the past year to assist in the management of government-wide information technology services and infrastructure. The Ministry plans to have the accountability framework approved for implementation in 2001-02.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
27. Systems development	
We recommend the Ministry of Innovation and Science establish a systems development methodology that can be used as a source of reference when any systems development projects are initiated throughout government, for both outsourced and in-house systems development.	Accepted. An action plan developed through the Chief Information Officer Council will be completed in 2001-02 to address this recommendation.
Justice and Attorney General	
28. Capital asset management	
We recommend that the Department of Justice improve its capital asset management process by completing long-term capital asset plans, and linking this information to the business planning process.	Accepted in principle. The Ministry intends to prepare capital project listings. The projects would be linked to business plan goals or strategies for management information.
29. Fines and costs	
We again recommend the Department of Justice determine the results and costs of its fines collection activities.	Accepted. The Ministry intends to continue with completing its current action plan.
Learning	
30. Career and Technology Studies	
We recommend that the Department of Learning improve its systems to ensure that school jurisdictions are complying with the requirements of the Career and Technology Studies (CTS) program.	Accepted. The Ministry will continue communications with school jurisdictions concerning the requirements for this program. Learning is up to date in its monitoring of funding for Credit Enrollment Unit/Career and Technology Studies eligibility and has plans in place to maintain the monitoring on an ongoing basis.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
31. Long-term capital planning We again recommend that the Department of Learning improve its systems to ensure that long-term capital planning for school facilities is consistent with plans for the delivery of education.	Accepted in principle. The Ministry of Infrastructure has changed the timing of the capital plan to coincide with the education plan to facilitate the Ministries' review of both plans. Procedures are in place to ensure that Learning's zone directors review both plans for consistency.
32. Charter School accountability We again recommend that the Department of Learning continue to assist charter schools in developing measurable outcomes so that there is a base from which to measure and evaluate charter school results against their mandates.	Accepted. The Ministry will continue to work with chartered schools in the development and reporting of measurable outcomes. All charter schools have provided measurable outcomes with their education plans for 2001-02.
33. Allowance for assessment appeals and adjustments We recommend that the Ministry improve the process used to determine the allowance for assessment appeals and adjustments.	Under review. The Ministry is currently reviewing the processes shared with Municipal Affairs in determining the allowance for assessment adjustments and appeals.
34. Timeliness and reliability of data collection We recommend that the Department ensure that data from PSIs, used to support funding and program decisions, is promptly collected and is reliable.	Accepted. In November 2000, the Institutional Data Operating Committee was initiated, its primary goal being to improve the timeliness and completeness of data from post-secondary institutions. To address improving the reliability of submissions, senior management of post-secondary institutions are now required to sign off on data submissions to the Ministry. Extensive training sessions, updated manuals for all systems and new edit routines are available to post-secondary institutions as they prepare for their 2000-01 data submissions.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
35. Capital Assets Policy Statement	
We recommend that the Department of Learning, in consultation with the Departments of Infrastructure and Innovation and Science, provide an updated Capital Assets Policy Statement to the public post-secondary institutions.	Accepted in principle. The Ministry recognizes the need for a Capital Assets Policy Statement for post-secondary institutions. Such a policy will be contingent on having an overall government capital assets funding framework and dedicated capital funding for post-secondary initiatives. The Ministries of Learning, Infrastructure and Innovation and Science are researching the capital requirements of post-secondary institutions.
36. Deferred maintenance – critical health and safety risks	
We again recommend that the Department of Learning and the Department of Infrastructure obtain sufficient accountability information from post-secondary institutions to allow the Departments to evaluate the annual progress made towards addressing the critical health and safety risks of deferred maintenance.	Accepted. Maintenance of facilities is the responsibility of post-secondary institutions and they are expected to address any critical health and safety issues as a priority. Alberta Infrastructure monitors institutions to determine that funding provided is directed towards these issues.
37. Internal control systems – University of Alberta	
We recommend that the University of Alberta modernize and significantly improve its control systems. As a first step to improving control, we recommend the University determine the business model to be used in assigning responsibility and authority for implementing and enforcing control processes.	Accepted in principle. In March 2001, the Executive Planning Committee, consisting of the four Vice-Presidents and the Chair of Strategic Initiatives Group, authorized the Chief Financial Officer to establish business models for the research support infrastructure. The scope of this exercise will have to be broadened to include the overall Business Support Model for the University, which will include research as well as operations.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
38. Internal control systems – University of Calgary	
We recommend that the University of Calgary strengthen its internal control systems.	Accepted. The University of Calgary is currently working on a number of strategies to strengthen internal controls from a system, policy and procedural standpoint.
39. Financial processes – Grant MacEwan College	
We recommend that the College review its financial processes to increase efficiency and accuracy in financial reporting.	Accepted. Grant MacEwan College has issued a request for proposal for a consultant to complete a systems review by the fall of 2001. Management of the Finance Department have completed a major revision to the accounts structure.
40. Business case analysis and project management controls – Southern Alberta Institute of Technology	
We recommend that the Institute improve the business case analysis for major projects and strengthen project management controls.	Accepted. The Institute agrees that there is a need for business case analysis when changes in project cost estimates affect the scope of work. The Institute rigorously controlled costs of the overall expansion. The expansion project has come in on budget and on schedule. With respect to strengthening project management controls, the Institute used a "design-built" method of project management for their expansion.
Municipal Affairs	
41. Municipal property tax assessments	
We recommend that the Ministry improve the controls designed to ensure that municipal property tax assessments are fair and equitable.	Accepted. The Ministry has identified actions to address the recommendations. Some of the actions will occur in the current business cycle, while others are planned for implementation in 2002-03.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
Resource Development	
42. Defining performance measures We recommend that the Ministry define and use performance measures that evaluate the success of the Ministry over time.	Accepted. The Ministry will continue to develop and use performance measures that evaluate its success. The Ministry's performance measures are reviewed annually with the aim of improving them and strengthening their linkage to the Ministry's core businesses and goals.
43. Disclosing royalty reduction programs We recommend that the Department disclose its royalty reduction programs in its financial statements.	Under review, in connection with Finance's review of recommendation 48. Pending that review, consideration may be given to including this information within the Results Analysis of the Ministry's Annual Report.
44. Risk analysis and audit strategy for the Production Audit Group We recommend that the Board undertake a risk analysis to determine expectations and requirements for its Production Audit Group. Further, the results of the risk analysis should form the basis for a documented audit strategy.	Accepted. The Board is committed to initiating, in the fourth quarter of the 2001-02 fiscal year, a detailed needs analysis of the stakeholders' requirements for production assurance. The Board will work with stakeholders to conduct a cost/benefit analysis associated with service delivery options. The outcome of this work will form the basis for a risk based audit strategy.
Treasury	
45. Corporate government accounting policies We again recommend the Department of Finance change the corporate government accounting policies in order to improve accountability.	Accepted in principle. The government's corporate accounting policies continue to be reviewed on an ongoing basis, in consultation with ministries and the Office of the Auditor General. Changes are implemented where Treasury Board considers accountability can be improved.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
46. Strategies to improve reporting	
We again recommend the Department of Finance promote the benefits of quality financial reporting throughout the fiscal year.	Accepted. Improving the quality of financial reporting throughout the year is an ongoing process. Ministries, Finance and the Office of the Auditor General continue to review ways to resolve problems regarding the year-end audit processes.
47. Results analysis in Measuring Up	
We again recommend the Department of Finance enhance the results analysis in Measuring Up.	Accepted. Measuring Up 2002 will continue to improve the discussion of results achieved in relation to the goals, strategies and targets.
48. Accountability for foregone revenue	
We again recommend the Department of Finance identify for the Legislative Assembly the expected and actual results from the social and economic development programs within the tax system.	Under review. In light of the Auditor's repeated recommendation, the government will review the recommendation and consider alternatives for possible implementation in Budget 2003.
49. Strengthening internal controls – Alberta Treasury Branches	
We again recommend internal controls be improved and that all internal controls be documented, evaluated and monitored by management to ensure assets are properly protected and that financial information is accurate and complete.	Accepted. Alberta Treasury Branches has established a risk control project to ensure that all operational risk is identified and managed. The existing controls are regularly tested and any deficiencies corrected.
50. Internal Audit Department – Alberta Treasury Branches	
We recommend internal controls be subject to periodic independent review by the Internal Audit Department to confirm their existence and to verify their effectiveness.	Accepted. Internal audit department has revised its branch audit programs to focus on assessing compliance with key controls. As Alberta Treasury Branches management continues with its risk control initiative, the internal audit department will continue to provide support through assessment of control design, periodic testing for compliance, and recommendations for improvement where warranted.

The 2000-01 Auditor General's Report comments on the progress being made to implement previous recommendations. The Auditor General has indicated that 11 recommendations above relate to recommendations since 1994-95 that have not been fully implemented. This represents the complex nature of some of these recommendations. The government continues to work towards addressing the Auditor General's recommendations.

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